EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

SOVIET UNION
For democrats, the danger is despair
Page 23

No.30,962 | Tuesday October 3 1989 | D 8523A

World News

Bonn mission gives asylum to 1,000 East Germans

The number of East Germans seeking refuge at Bonn's embassy in Prague rose sharply to more than 1,000. This followed Sunday's mass exodus in which 6,300 fugitives entered West Germany by train from Bonn's embassies in Poland and Czechoslovakia. Page 24

Kaifu for consumers
Toshiki Kaifu took up the cause of ordinary Japanese consumers in his first policy speech in the Diet since becoming Prime Minister. Page 24; Analysis, Page 7

S Korean clash
A confrontation between South Korea's Parliament and its prosecution officials is inevitable following the Prosecutor-General's refusal to accept a summons to testify before the National Assembly. Page 7

Indian tension
Tension between Hindus and Moslems flared in northern and central India arousing fears that communal violence could overshadow the forthcoming elections. Page 6

Panamanian arrest
A Panamanian opposition politician said police arrested an opposition leader and a group of supporters. Page 4

Arafat in Japan
Yassir Arafat, chairman of the Palestine Liberation Organisation, urged Japan to exercise the "political responsibility" of its economic power for a more active role in the Middle East. Page 7

Aid for Poland
Switzerland is responding to Polish appeals for economic aid by sending $3.1m worth of food – 40 per cent of it wheat bought in Hungary.

Nicaraguan poll
There was a substantial turnout for Nicaragua's first day of voting registration for next year's elections. Page 4

Norwegian coalition
Norway's Government is likely to be voted out of office by a coalition of Centrists and Conservatives. Page 2

Bush backs Mubarak
President George Bush endorsed President Mubarak of Egypt's plan for implementing Israeli proposals for elections in the West Bank and Gaza Strip. Page 4

CDU nurses wounds
West Germany's ruling Christian Democratic Union (CDU) was nursing its wounds after poor electoral showing in North Rhine-Westphalia. Page 3

Swedish train crash
Four passengers were killed and 22 injured when a train from Hamburg, West Germany rammed a truck on a railway crossing on the Swedish west coast.

ANC-Afrikaner talks
The African National Congress said secret talks with Afrikaner intellectuals in Britain had given white South Africans a better understanding of ANC goals. Page 8

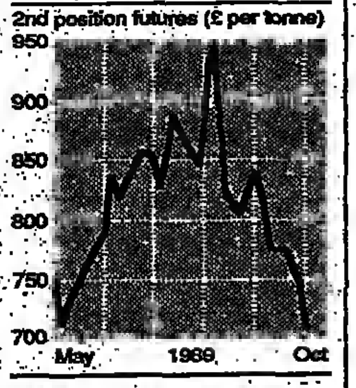
AIDS resolution
The International Bar Association adopted a resolution on dealing with AIDS in the workplace. Page 2

Business Summary

Peugeot and unions to talk on pay dispute

PEUGEOT, the strike-hit French car producer which owns Citroen, agreed to talk to unions for the first time since a pay dispute crippled its two largest assembly lines early last month. Page 24

COCOA prices fell sharply in London as the Ivory Coast followed up its announcement on Friday of a cut in the price it pays its producers. Page 38



GROUPE BULL, world's 10th largest computer maker, is to pay up to $835m for the microcomputer business of Zenith, the US consumer electronics company. Page 25

TYNDALL Holdings, in association with S.G. Warburg Securities, UK investment companies, plan to raise $250m from institutional investors to take advantage of "investment opportunities" in Eastern Europe. Page 24

UNILEVER is to spread its international cheese interests by buying the company which makes Boursin and Boursault, the French cheeses. Page 25

PLANS to allow TV transmission across EC frontiers programmes looks like ending its tortuous legislative journey in approval by Community governments. Page 24

VIRGIN, UK entertainment and travel group, announced a $153m partnership with the Fujisankei Communications Group of Japan. Page 25

ASEA Brown Boveri, European electrical engineering group, is paying Westinghouse Corporation of US $370m for its stake in their jointly-owned Westinghouse-ABB Power Transmission and Distribution Company. Page 27

CADBURY Schweppes, UK soft drinks and confectionery group, purchased Citresa, Barcelona-based company, for $72m. Page 25

STATOIL, Norway's state oil company, is discussing with possible partners a NKr6bn ($880m) scheme for a methanol plant in Norway. Page 26

SAUDI Arabia is close to signing a deal with the Brazilian defence contractor Engesa for battlefield tanks. Page 8

CANADIAN stock analysts expect a higher bid for Connaught BioSciences, Toronto-based vaccine producer, despite offer from Institut Mérieux of France. Page 26

NORWAY'S foreign minister ordered an investigation into the shipment of 21 Norwegian computers to Armenia, in apparent violation of CoCom export rules. Page 3

ARAB-MALAYSIAN Merchant Bank (AMMB), ranked largest among a dozen Malaysian merchant banks, announced a corporate restructuring. Page 29

TAIWAN companies have more than tripled their rate of new investments abroad in first eight months of this year. Page 8

ACORN Securities, Perth-based listed mining company, threatened legal action against RTZ, world's largest mining group, over Indonesia's first diamond project. Page 26

MARKETS

STERLING	**DOLLAR**	**STOCK INDICES**
New York close	New York closing	FT-SE 100:
$1.6140	DM1.8805	2,260.2 (–10.2)
London:	FF6.3775	FT Ordinary:
$1.618 (1.615)	SFr1.6285	1,876.9 (–8.8)
DM3.0325 (3.0225)	Y139.75	FT-A All Share:
FFr10.2675 (10.25)	London:	1,163.75 (–0.5%)
SFr2.6275 (2.62)	DM1.875 (1.8715)	FT-A long gilt yield
Y225.75 (225.5)	FFr6.3575 (6.3475)	high coupon:
£ Index 91.4 (same)	SFr1.6245 (1.6225)	9.71 (9.72)
GOLD	Y139.45 (139.6)	New York closing
New York: Comex Dec	$ Index 69.6 (69.5)	DJ Ind. Av.
$372.1 (372)	Tokyo close: Y139.3	2,713.72 (+20.90)
London:	**US LUNCHTIME RATES**	Tokyo: Nikkei
$368.5 (365.75)	Fed Funds 9%	35,622.97 (–13.79)
N SEA OIL (Argus)	3-mo Treasury Bills: yield: 8.115%	**LONDON MONEY**
Brent 15-day	Long Bond: 99½	3-month interbank
$18.55 (+0.06) (Oct)	yield: 8.206%	closing 14½% (14$\frac{11}{16}$)

Chief price changes yesterday: Page 26

MARKET REPORTS: CURRENCIES, Page 46; BONDS, Pages 30, 31; COMMODITIES, Page 38; EQUITIES, Pages 39 (London), 50 (World)

Eurotunnel faces crisis as cost forecasts jump £2bn

By Andrew Taylor, Construction Correspondent, and Stephen Fidler in London

Picture: Trevor Humphries
Eurotunnel joint chairman Alistair Morton: playing a high-grade poker game

EUROTUNNEL, the Anglo-French Channel tunnel group, faced a fresh crisis last night after it failed to agree with contractors building the tunnel link between Britain and France on how much extra money it will need to complete the project.

Mr Alastair Morton, joint chairman of Eurotunnel, said yesterday that the project, which has been hit by tunnelling delays and rows with the contractors, will now cost at least £2bn ($3.22bn) more than was forecast when digging began 21 months ago.

Mr Morton said the group would need to raise between £1.3bn and £1.6bn early next year. About a quarter of this would probably be raised through a rights issue.

Eurotunnel will run out of money by Christmas unless it can reach an accord with contractors which will allow it to seek further finance from international banks and shareholders.

The tunnel was originally forecast to cost £4.87bn ($7.84bn). Eurotunnel says costs have risen to approximately £7bn.

Transmanche, a consortium of five British and five French construction companies contracted to design and build the tunnel, says the cost will be at least £7.5bn.

Technical advisers to the 200 international banks which have agreed to provide Eurotunnel with £5bn of loans and standby credits have warned that costs could rise as high as £8bn if other parts of the project experience problems.

Independent consulting engineers appointed to the project under the Anglo-French Channel Tunnel Treaty will now examine the claims of Eurotunnel and the contractors.

Mr Morton said negotiations with contractors had resembled a "high-grade poker game". The construction companies are also at odds over who should take financial responsibility for part of the increased costs.

Transmanche is demanding that payments for a fixed price contract be increased to take account of changes made by Eurotunnel after the contract was negotiated.

Claims by the contractors against Eurotunnel could be as high as £600m to £700m after taking into account interest charges and inflation in building costs.

Eurotunnel said it would be unable to approach the banks for more money until revised cost estimates had been agreed; a mechanism had been negotiated to limit further increases in tunneling costs; and a settlement had been reached on outstanding claims.

The rise in costs, however will be deeply embarrassing to the British Government which strongly supported plans to build the tunnel with private finance.

It is also likely to reduce further private sector support for plans by British Rail, the state rail system, to build a privately financed high speed rail link between London and the Channel tunnel.

Mr Morton blamed the contractors for some of the cost overrun. He said yesterday that the contractors were responsible for preparing the original forecasts of construction costs and must shoulder most of the blame for cost increases. "Did the contractors sufficiently clearly think out what is involved in equipping a tunnel?" he asked in an interview. "The answer is that they did not think it out clearly enough and that is one of their agonies."

Contractors last night declined to reply to comments by Mr Moreton that they should shoulder some of the blame for the increase in costs.

It also emerged yesterday that frustration at the lack of progress on the issue prompted leading bank lenders to send delegations to both the Bank of England and the Bank of France last month, although the central banks are not thought to have intervened in events.

There have been several concerns among the banks. The first has been the unwillingness of Eurotunnel to agree on an early infusion of equity, that has been partly allayed by yesterday's announcement.

Technical advice given to banks suggests that completion of the project may have to be put back to December 1993-January 1994 from June 1993.

Analysis, Page 22; Lex, Page 24

Bumpy ride for shareholders

By Daniel Green in London

YESTERDAY'S sharp fall in the value of Eurotunnel's shares was the latest dive in a rollercoaster ride for the company's shareholders. They closed last night on the London Stock Exchange down 48p on the day at 650p.

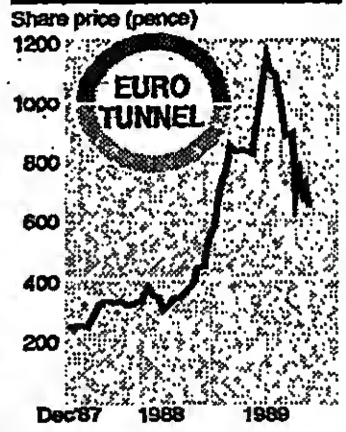
In the first quarter of the year, the shares regularly leapt 50p in a day. Optimism was being fuelled by City of London forecasts that the shares could be worth £20 ($33) once the tunnel was finished.

The first public hints that cost overruns might be serious enough to entail a rights issue surfaced in June. French investors, whose earlier desire for the stock had spurred its rise, turned sellers. Losses became commonplace.

Eurotunnel shareholders are no strangers to volatility. Just three weeks after the shares were issued at 350p, in December 1987, they slumped to 233p.

That paper loss was transformed within 18 months into a 233 per cent profit for those who had bought on issue as the shares peaked at 1164p.

Warrants were issued with, and have been traded alongside, the shares. Each 10 warrants give the holder the right to buy one share at 460p at any time in the two years after November 15 1990.



Pressure for UK rate rise eases as banks sell $ again

By Peter Norman, Economics Correspondent, in London

PRESSURE for an immediate rise in British bank base rates eased yesterday as sterling held steady on foreign exchange markets without substantial Bank of England support.

It was the first respite for the pound since last Tuesday, when news of a higher than expected £2bn ($3.2bn) UK current account deficit for August precipitated heavy selling of the currency.

Sterling was a beneficiary yesterday of a new round of concerted central bank action against the dollar in line with the recent agreement of the Group of Seven leading industrial nations to halt its rise. Abont 10 central banks, including the Federal Reserve, the Bundesbank and the Bank of England, sold dollars shortly after dealings opened in New York. Earlier, the Bank of Japan had sold dollars in late Far East trading.

However, when trading ended in Europe the dollar had shrugged off this attack, closing slightly higher against continental European currencies and fractionally lower against the yen.

Sterling moved narrowly, with the Bank of England's trade-weighted index closing unchanged from Friday at 91.4. The pound gained one pfennig in London against the D-Mark to close at DM3.0325 and rose slightly to $1.618 from $1.615 on Friday. In New York, it closed at DM1.8805 and $1.6140.

However, the British Government has not yet won the battle to avoid a politically damaging interest rate rise.

The calmer conditions for sterling were reflected in an easing of domestic British money market interest rates with the important 3 months interbank rate dropping $\frac{3}{16}$ points to around 14.5 per cent. However, the market was still indicating that bank base rates should move up by at least half a point from the present 14 per cent.

It appeared that many currency traders decided yesterday to adopt a "wait and see" stance ahead of Thursday's meeting of the West German Bundesbank's decision making central council.

Continued on Page 24
UK credit data, Page 10, Currencies Page 46, Government bonds, Page 31.

Soviet leaders call for ban on all strikes

By Quentin Peel in Moscow

A SWEEPING ban on strikes in every sector of the Soviet economy was called for by the Moscow Government yesterday in the face of a threatened wave of industrial unrest on the eve of the Russian winter.

The extraordinary measure was proposed to the Supreme Soviet, the country's newly-constitnted standing Parliament, by Mr Lev Voronin, the First Deputy Prime Minister, after e dire warning about the level of fuel supplies in power stations, the steel industry and for domestic heating.

He said the ban, which apparently would have to be approved by the Parliament, would last for the rest of the year and the whole of 1990.

At the same time, he announced a "special form of administration" to take over the railways in the Trans-Caucasian republic of Azerbaijan, where railway workers are blockading the neighbouring repnblic of Armenia. This is almost certain to mean sending Soviet troops to reopen the rail lines and end a chronic shortage of both fuel and industrial goods in Armenia.

The draconian measures show how seriously Mr Mikhail Gorbachev, the Soviet leader, is taking the threat of continuing industrial action, both from nationalist movements, as in Azerbaijan, and more seriously from key sectors of the workforce, including a renewed strike by coal miners, and rumoured action by railway workers across the country.

Mr Gorbachev defended the measures in the assembly, saying: "We must avoid anarchy, we must avoid our reforms being taken hostage.

"These measures are being taken to prevent the escalation of a process which, if unchecked, can affect everything we are doing," he warned.

An irony of the proposal is that the strike ban is being put forward by the government on the eve of new trade union and strike laws being presented to the Snpreme Soviet, which would for the first time provide a legal basis for strike action, including a framework for industrial arbitration.

It is not clear how the Government would propose to

Continued on Page 24
Estonia's calm revolntion, Page 2; Soviet economy, Page 3; For Soviet democrats, the danger is despair, Page 23

Australian Mutual Provident launches hostile bid for Pearl

By John Ridding in London

AUSTRALIAN Mutual Provident, Australia's largest life insurance company, yesterday launched a hostile £1.1bn (US$1.76bn) bid for Pearl Group, a UK counterpart which controls about 3 per cent of the UK life assurance market.

The bid would be the largest takeover in the UK life assurance industry if successful and the most significant step in AMP's strategy of expanding outside Australia where it holds about 30 per cent of the market.

Mr Eionion Holland, Pearl's chairman, rejected the bid as "derisory, unacceptable and totally inadequate. We have a great future which doesn't involve AMP or any other Australian freebooter."

The move was widely expected following an apparent leak on Friday which sent shares sharply upwards from 508p to 552p. After AMP launched its cash offer of 605p, Pearl shares jumped another 87p yesterday to 639p.

Mr Ian Stanwell, AMP's managing director, said his company had called for a Stock Exchange investigation into Friday's trading.

AMP had planned to meet Mr Holland yesterday afternoon to discuss their offer but said: "Friday's events speeded things up and it would have been wrong to leave the market in a state of such speculation."

Mr Stanwell said AMP wanted to buy Pearl because its dominant position in Australia and New Zealand "doesn't provide the opportunities for quantum growth that we are looking for." He said the UK was "the obvious first choice" for overseas expansion because AMP has operated there for more than 80 years.

AMP said Pearl had been underperforming and it wanted to "return Pearl to its former leading position." It said that, measured in terms of new annual premiums, Pearl's market position had fallen sharply in the past 10 years.

Most analysts felt the offer was an opening shot and pointed to the jump in the share price as evidence that the bid may have to be raised. AMP rejected this, saying the offer was generous and represented a multiple of more than 25 times Pearl's 1988 earnings per share.

It is also possible that the offer may draw a white knight, possibly in the shape of one of the larger continental European insurance groups which are looking to increase their presence in the UK ahead of 1992.

Some analysts believed this was unlikely, arguing that anyone wanting to buy Pearl would have bought the 13.5 per cent stake which was sold in June by FAI, the Australian insurance group headed by Mr Rodney Adler. In the event AMP bought the stake, taking its holding in Pearl to 18 per cent.

Lex, Page 24; Background, Page 27; London Stocks, Page 39

CONTENTS

Sun rises on fortunes of Japan's Liberal Democratic Party

For Prime Minister Toshiki Kaifu a recent election success can be considered a personal triumph and means that he may not face a challenge as party leader later this month.
Page 7

Brundtland likely to be voted out of power after last month's inconclusive election

Non-Socialists set to take over in Norway

By Karen Fossli in Oslo

NORWAY'S LABOUR Government looks certain to be voted out of office by a coalition of Centrists and Conservatives which will depend for parliamentary support on a resurgent far-right group and may well prove unstable.

The three traditional "non-Socialist" parties settled on a common political platform early yesterday and are now expected to vote Labour out of office soon after Parliament is officially opened by the King on October 11.

Mrs Gro Harlem Brundtland, the Prime Minister and Labour leader, has remained in office since last month's inconclusive election, arguing that the opposition parties were incapable of uniting against her. But, following yesterday's accord, she seemed sure to lose a confidence motion in the 165-seat legislature.

The inclusion in the prospective coalition of the agrarian Centre Party, which strongly opposes joining the European Community, makes it virtually certain that Norway will not re-apply to join the bloc.

Differences over policy towards the EC and over tax had complicated efforts by the non-Socialist groups – the Centre, Conservatives and Christian People's Party – to hammer out a common platform. While the Conservatives favour applying to join the Twelve, the Centrists oppose even the establishment of a full-blooded customs union between the EC, Norway and its partners in European Free Trade Association (Efta), an idea which Mrs Brundtland recently mooted.

Mr Jan Syse, the Conservative leader who is now expected to become Prime Minister, said the common platform was based on seeking a "broader trade agreement" with the EC – a formula falling short of a full customs union and apparently designed to take account of Centrist sensitivities.

The three centre-right groups between them command only 62 of the 165 seats in Parliament; but the far-right Progress Party, whose parliamentary representation jumped to 22 in last month's election, has promised to join forces in a voting down Labour.

However, the Progress leader, Mr Carl Hagen, who was excluded from the three-party negotiations because of his "radical right" anti-immigration stance, has pointedly refrained from promising to vote with the centre-rightists on other issues.

Mrs Brundtland can either step down as Prime Minister after the budget is presented on October 12, or she can wait until October 23 when legislators are expected to vote on a no-confidence motion.

Apart from Mr Syse, the only other appointment in the prospective Government that has been announced is that of Mr Kjell Magne Bondevik, the Christian People's leader, as Foreign Minister.

Though the tripartite coalition has yet to spell out details of its economic policy, it plans tax reductions to stimulate Norway's oil dependent economy in which unemployment, though relatively low by West European standards, has reached a post-war record of 5 per cent.

There are also plans to reduce taxes on corporate investment and to ease the social security payments burden on companies in depressed northern areas of the country. The three have also vowed that government spending should be less than the increase in national income.

NORWAY'S Prime Minister to be, Mr Jan Peder Syse (59), has had his problems with his electorate, writes Karen Fossli. He hails from Oslo's west side, like many of the country's affluent shipowners. This has made it difficult for him to come across as representing the whole party, whose broad cross-section includes a substantial working class element.

Nevertheless, he is a man well able to see the benefit of flexibility towards his partners, and most agree that if anyone can make a centre-right coalition work, it is Mr Syse.

In a search for accommodation with his coalition partner, the Centre party, he has backed off from the Conservatives' primary goal of European Community membership in favour of a broader free trade agreement between the EC and the European Free Trade Association. That is as far as the Centre party, also known as the farmer's party, is able to go in the Efta-EC process.

The concession was probably the single most important step in winning Centre Party support for a non-Socialist coalition. It was made easier by the knowledge that the customs union between the two blocs, as floated by Mrs Gro Harlem Brundtland's Government, was anyway becoming an Efta non-starter.

However, Mr Syse does have a problem of support in rural areas which could cause him difficulties in the Storting (Parliament). During the election he failed to establish firm backing from communities along Norway's south and west coasts, which in earlier days gave the Conservative party its political breakthrough.

As opposed to Mrs Brundtland, Mr Syse is more of a "national" politician which is likley to work in his favour. One of the main criticisms of Mrs Brundtland has been her focus on international affairs to the detriment of national issues.

Mr Syse's background is in law and he has held several government positions in the Trade, Industry and Justice ministries. He is the architect of the concept of a "self-owning democracy," a popular form of capitalism which calls for a distribution of capital resources among the population and strong employee company ownership schemes.

He is likley to demonstrate just how flexible he can be when it comes to securing support from the Progress Party, Norway's radical right-wingers. However, the real test will come when it comes time to strike a delicate balance between the interests of his own party, those of his partners in government, and the interests of the Progress Party, whose tacit support he must have in order to retain power.

Estonia's calm revolution still ruffles the Russians

Hilary Barnes encounters nationalism Nordic-style

"MY father had a Russian mother, but he didn't like us to mention it," said a middle-aged Estonian. If relations between Estonians and Russians were touchy a generation ago when the Russians probably made up 10-15 per cent of the population of Estonia, they are more sensitive today, when immigration has brought the Russian share to about 40 per cent and many Estonians regard their country as occupied.

But one does not get the impression as a visitor to Estonia that the two population groups are about to fly at each other's throats.

"There is no 'situation' between Estonians and Russians," said Mr Rein Ruutsoo, Estonian sociologist and delegate to the People's Congress in Moscow. "There were no incidents here when the human chain was formed between the capitals of the Baltic states [on August 23]."

"I work with Russians every day. We get on fine," said an Estonian television newscaster.

"Psychologically, we are a Nordic people. We talk things over calmly," said Mr Vartho Rumessen, a distinguished Estonian pianist and a leading member of the Estonian National Independence Party.

This makes Estonia – and the other Baltic states – different from some of the other republics where nationalist movements are causing trouble for the rulers of the Soviet Union, he said, and he thought the Estonians' Nordic temperament was an important reason for hoping Estonians and the Soviet Union would work out their differences without resorting to force.

The economy programme will give Estonia and the other Baltic states control over their enterprises, resources and planning

Slender hopes, however, were more evident than realistic expectations. "We have great ideas, but little hope," said Mr Ruutsoo, who is also a leader of the Popular Front movement for greater independence, referring to the economic autonomy programme. The programme, which has been approved by Moscow and will take effect from January 1, will give Estonia and the other Baltic states control over their enterprises, resources and planning.

"Ninety per cent of the economy is controlled by Moscow. We need time to take it over," said Mr Tiit Maade, another Estonian delegate to the People's Congress and one of the authors of the programme. "But Moscow is against making a start. It has only agreed to autonomy in principle."

Many Estonians think the economy progremme will remain a sham unless Estonia can have its own borders and its own convertible currency, but they cannot see Moscow conceding either.

The best hope, Mr Maade thought, was that the Soviet empire would collapse and in the process the republics would be able to establish their own economic zones.

In a sense it may be happening already. "Borders are being generated by themselves," said Mr Ruutsoo, by what he called the mechanism of "economic self-defence" – what to a western mind might seem to be a particularly painful form of protectionism. Almost half the prodncts on sale in Tallinn shops can be bought only on production of a passport or residence permit. In the post office there is a long list of goods which may not be sent out of the republic, mainly food, clothes and textiles.

According to Mr Ruutsoo, each locality, not only in Estonia but all over the Soviet Union, is introducing its own "economic self-defence" regulations to ensure that scarce supplies are not sold to outsiders. And supplies are scarce.

Mr Ants Aaman, who farms 15ha of land 30 miles from Tallinn, displayed his soap ration coupons. His family is entitled to one piece of soap and 500gms of detergent per person every four months. Tea and coffee are scarcely available. Cigarettes are in short supply (the local factory is closed for repairs), and anything as exotic as oranges, lemons or bananas is apparently a rarity.

The economic autonomy programme is itself a source of conflict between Russians and Estonians and it is part of the background to the strikes by Russian workers in Estonia in August, said the Estonians.

Most appointments to top jobs in industry and agriculture are made in Moscow, so most of the managers are Russians. In future appointments will be under Estonian control.

The strikes were primarily a protest by Russian immigrants against Estonian language laws (managers and others in leading positions will have to learn Estonian when it becomes the official language of the republic) and residence restrictions on the right to vote.

Estonians maintain that the strikes were carefully stage-managed by plant managements working with the International Front, the Russian counterpart to the Estonians' Popular Front. They say the Russian language group is dominated by retired army and KGB officers, some of whom have jobs in the many defence industry factories in Estonia. In these factories discipline is so tight that no one could strike without an order from the management, said the Estonians.

"There were no strikes. It was a lock out," said Mr Rumessen. "They switched off the power, so no one could work."

Lawyers back guidelines on AIDS victims

By Robert Rice, Legal Correspondent

THE INTERNATIONAL Bar Association yesterday adopted a resolution on guidelines for dealing with AIDS in the workplace. These seek to prevent discrimination against the employment of people who are HIV positive and prohibit HIV testing as a condition of employment.

Speaking at the opening session of the IBA's Ninth Biennial Conference on Business Law in Strasbourg last night, Mr Walter Kolvenbach, a West German lawyer, said that countries would be urged to bring forward effective legal measures to implement it.

The resolution says that the IBA recognises AIDS and HIV infection as a disability or handicap in respect of which legislation can be introduced to prohibit discrimination against HIV positive persons in housing, employment, public accommodation, granting of credit and delivery of services.

HIV testing as e condition of employment should be prohibited except where the absence of AIDS or HIV infection is a bona fide requirement of the job, it says.

Employers should also be encouraged to make reasonable workplace accommodation for persons with HIV infection and to put in place guidelines and edncational programmes for dealing with AIDS in the workplace.

The main theme of the conference, the largest meeting of international lawyers ever held, is the legal and business implications of the European Community's planned single market by the end of 1992.

More than 2,250 lawyers from 74 countries will be discussing international trade, insurance, banking, the securities market, mergers and acquisitions, competition policy and other subjects.

In an opening statement, Mr Blaise Pasztory, conference chairman and a New York lawyer, said the roles of the European Commission and the European Parliament could no longer be ignored by businesses or their lawyers.

"To ignore or be ignorant of their decisions could be to the detriment of their businesses and of the clients they serve," he said.

The conference will end on Friday.

Danish GDP forecast to grow by 2%

By Hilary Barnes in Copenhagen

DENMARK'S minority coalition Government received a reletively encouraging report on the economy yesterdey on the eve of Parliament's opening session at which Mr Poul Schlüter, the Prime Minister, appears to be heading for a defeat.

The Government's candidate as Speaker, Mr Erik Ninn-Hansen, a veteran politician, is likely to be rejected for the position which he held in the last session as some members of the coalition parties are expected to refuse to support him.

Mr Schlüter is also in retreat on what last spring he was describing as the tax reform of the century, including reductions in the corporate tax rate and marginal income tax rates.

But as attempts are made achieve e compromise agreement with the opposition Social Democratic Party, the reform is gradually being whittled away.

Meanwhile, the annual survey by the Economy Ministry forecasts gross domestic product growth of 2 per cent this year and 1.5 per cent in 1990, after two years with negative growth.

The recovery is led by increases of 7-8 per cent in real terms in exports of manufactures which is expected to prodnce a reduction in the current account deficit from DKr13.5bn (£1.13bn) this year to DKr10.5bn (£882m) next.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EUROPEAN NEWS

CDU nurses its wounds after poor electoral showing

By David Marsh in Bonn

WEST GERMANY'S ruling Christian Democratic Union (CDU) was yesterday nursing its wounds after another poor electoral showing on Sunday in municipal polling in the country's most populous state, North Rhine-Westphalia.

The election gave the extreme-right Republican party a further boost, enabling the grouping to enter municipal councils in several cities, even though it won only just over 2 per cent of votes across the state as a whole.

The Social Democrats, who see the state as one of their main strongholds, held on to power in town halls, boosting their score since the last poll five years ago by 0.4 points to 42.9 per cent.

The Christian Democrats, bidding to find a foothold in the state ahead of regional elections there next May and the general election in December 1990, scored 37.5 per cent of the votes, down 4.7 points. This was the CDU's worst municipal result in North Rhine-Westphalia since 1952.

Mr Volker Rühe, the CDU's new secretary-general, tried to diminish the scale of the setback, but the result shows the mainstream conservatives fighting an uphill battle to rebuild support.

The Greens gained 0.2 points to 8.3 per cent while the Free Democrats increased their score 1.7 points to 6.5 per cent. Mr Johannes Rau, the state's Social Democrat Prime Minister, claimed the result gave a "realistic basis" for next year's polling, but pointed to the party's need to clear up weaknesses in its eastern Europe policies.

Yugoslavia's inflation reaches monthly high

By Aleksandar Lebl in Belgrade

LAST MONTH, inflation in Yugoslavia reached a record. It was 48 per cent higher than last August, which gives an annualised rate of some 11,000 per cent. Since last December retail prices have advanced 739 per cent.

In addition to having negative economic effects, such hyperinflation will also have adverse political repercussions for the Government of Prime Minister Ante Markovic.

If nothing else, pressures for it to bring an anti-inflation programme that would produce immediate results will escalate, although it is clear to all that runaway inflation cannot be stopped overnight without drastic measures for which there is no political will and consensus in Yugoslavia.

Mr Markovic did not meet much opposition in the federal parliament last Saturday, when he presented his economic package with heavy emphasis on measures of an anti-inflationary character.

Even the republic of Serbia, which has been critical of many of Mr Markovic's policies, said that if other republics support him it will not stand in his way.

There has been no vote on the package which is still incomplete. The Parliament will say what it thinks of it next Thursday. Difficulties may start when concrete legislation is introduced and discussed. For the moment, the Government has won some breathing space.

Mr Markovic let it be understood that he stays or goes with his programme. Although critics of some of its parts have been numerous, no one has come forward with a comprehensive alternative.

Recently he said that he was very satisfied with results achieved so far and which he described as better than expected for the period.

He also said that the results achieved so far have created a solid basis for the fight against inflation.

Aganbegyan aims to clear air on Soviet economy

By John Lloyd in London

MR ABEL AGANBEGYAN is the Soviet Union's most famous reform economist, so it is a surprise to hear him rise to the defence of Yegor Ligachev, the Politburo's first conservative.

"He's a very able man, very honest, very committed to perestroika. Of course he's very rigid, puts a lot of store on discipline, works very hard and sounds old-fashioned. And he was disappointed to be demoted to the agricultural post in the Politburo. But he's taking it up with great enthusiasm."

A pause. "There's only one thing wrong with him. He doesn't drink!"

In London to give a seminar and meet economists and politicians, Mr Aganbegyan is director of the Economic Council to the Government under Prime minister Nikolai Ryzhkov ("he told me he would do nothing in the economic sphere without our advice").

He revealed himself yesterday as harshly critical of chances missed in the last four years, sceptical of rapid change and improvement and anxious for greater Western involvement. But he's even more sceptical of Western views of the Soviet struggles at the top.

"There's no possibility of a coup against Gorbachev. There's absolutely no danger of Ligachev or anyone else replacing the general secretary. He has nothing like Gorbachev's influence either with the public or with the central committee."

He confirmed the view that Mr Gorbachev has strengthened his position in the Politburo with the dismissals and appointments of last month. He also warmly praised Mr Yuri Maslyukov, the chairman of Gosplan who vaulted into the Politburo two weeks ago, as an open minded and reformist economist. "The new appointments made in the big economic posts - Gosplan, Ministry of Finance, chairman of the Committee on Labour, head of the External Economic Committee - means that there are competent people in these jobs now. The previous ones weren't attuned to the changes, sometimes they didn't even understand them."

But "the situation is getting worse - especially on the financial side and in the consumer market. We made big mistakes - the state deficit has grown (to Rs120bn) and there is some Rs150bn surplus money in the hands of the population – 13 per cent of GNP."

He does not believe in the target set last month by the Supreme Soviet to reduce the deficit to Rs60bn by next year; he thinks, however, that Rs80bn will be possible. A full blooded currency reform would hit the higher paid workers – like the miners, many of whom were recently on strike – hardest, and so "it won't be done." He does, however, foresee internal rouble convertibility in 4-5 years.

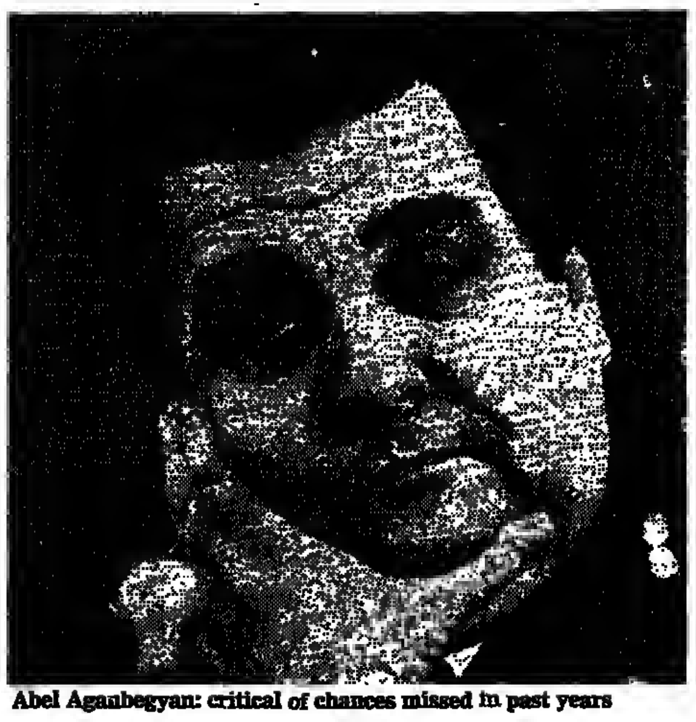
The miners' strikes were, he says, "very serious" – the more so since they were settled so expensively and seemed to point to a a leadership capitulation. Other workers would want their share – but he hoped the new law on strikes might damp down demands.

The monetary surplus is "very dangerous – people are trying to get rid of money any way they can. They will buy anything, so the shelves are always empty."

Not surprisingly, given that inflation, according to Mr Aganbegyan, is now rather higher than 9 per cent and the saving banks pay 2-3 per cent interest. The decentralisation of prices, to which the Soviet authorities are committed, will, he says, "lead to quite high inflation." Hence all efforts were now being bent to reduce the surplus and fill the market with consumer goods.

About the latter he is a little cheerier: "We will see an improvement by next year." The Rs10bn,or 14.2 per cent, cut in the military spending, is already freeing up resources and "I think we will see larger cuts."

The house building programme has speeded up, and labour productivity is rising.



Abel Aganbegyan: critical of chances missed in past years

Mr Aganbegyan is keen to allow people to buy certificates which promise to deliver to the bearer a flat by 1994 (or their money back with high interest).

He was the architect of the proposal to make all of Armenia an economic zone, another will open, largely for tourists, round Novgorod; and he predicts that the Baltic states will be allowed to follow suit.

And of course, he hugely admires Mrs Thatcher. "She has a field of energy about her. She asks questions and absorbs the answers in an hour and a half that would take others five hours. And this is difficult for me, because I like to relax . . .to take it easy.

Turkish press debates need for IMF standby facility

By Jim Bodgener in Ankara

DEBATE over whether Turkey is in need of a new standby facility or help otherwise from the International Monetary Fund have been continuing in the Turkish press almost a week after the IMF and World Bank meetings in Washington.

Turkish officials stressed yesterday that Ankara was not in need of such a facility as they reacted to a wave of Turkish press reports over the past fortnight that this had been advised by senior World Bank and IMF officials during the annual general meeting.

Disagreement between the Turkish Government and the World Bank and IMF over the uses of loans and economic policy in general surfaced during the meeting, prompted by serious disquiet in both of the international funding agencies about the Turkish budget deficit and the level of internal borrowing.

According to Turkish press reports, the World Bank and IMF officials would feel happier with Fund conditionality.

However, the World Bank has no formal position on the standby issue, it is understood. This compares with straight advice from the Bank about two years ago to the Turkish Government to seek an IMF facility.

Heading the Turkish delegation in Washington, State Minister Gunes Taner in Washington consistently denied Turkey needed a new IMF facility – the last was in 1985, and IMF repayments are no longer a burden.

A $48m current account deficit in the first half compares favourably with that of $368m in January-June 1988.

There are niggling doubts. With the props of export tax rebate incentives knocked away, and stagnant Middle East markets, especially Iraq, exports are flagging, falling by 2 per cent over the period to total $5,410m.

On the other hand, imports changed little over the period at $6,911m, reflecting stalled demand in the domestic economy. Tourism revenues also fell back by 8 per cent to $833m, although they are widely expected to pick up in the latter months of the season.

The current account could in fact have swung back into surplus over the summer months with infusions from holidaying expatriate workers. It will probably end up with a small deficit for the year as a whole - that is, if the grain import bill of up to $1bn, a result of the country's severe drought, can be absorbed.

Public sector deficits are instead most cause for IMF/World Bank concern, and the failure to switch sufficiently from domestic borrowing to improved taxes and collection to cover them.

In the first eight months of the year, the consolidated budget defict rose by 71 per cent to total TL 2,500bn ($1.1bn) compared with January-August 1988 – inflation in the year to the end of August was around 74 per cent.

However, over the same period, the financing deficit in the budget on a cash basis rose by 345 per cent.

This policy implementation dispute still is holding up the disbursement of the second $200m tranche of a financial sector adjustment loan agreed last year, plus a complementary $100m floating tranche to to compensate the treasury forthe cost of overhauling and restructuring state banks.

Earlierin the year, it had not been disbursed because the Bank felt there was insufficient agreement with the Turkish Government on ways to restructure the state banking sector and deal with its burden of bad debts contracted mainly in the early 1980s.

The bank had also objected to the negative real interest rates formoney on-lent from export credits through state development banks.

Italian financier casts eyes on Hungary

By John Wyles in Rome

CERUS, THE Paris-based holding company controlled by Italian financier Mr Carlo De Benedetti, is working on plans to set up a financial holding company in Hungary which would be capable of exploiting the country's moves towards a market economy

Mr De Benedetti's aides in Milan yesterday professed themselves ignorant of the details of the project. However, Mr Francois Sureau, the Cerus manager in charge of international operations, is believed to have been designated managing director of the Hungarian ventnre and, as snch, is in discussions with prospective local partners.

The De Benedetti way, as exemplified in Spain, Portugal and Greece is to seek minority equity partners who can provide both local know-how and contacts, and also finance.

His interest in Eastern Europe is common to many top Italian financiers and industrialists who see immense opportunities for Italian capital and products if Eastern European economies can be made viable.

He has argued strongly for a co-ordinated Western plan to aid the recovery and development of Eastern European economies and trade exchanges between the two halves of the continent.

● A Reform Federation, aimed at bringing together the disparate strands of reformers among Hungary's Communists, has been set up just days before a crucial party congress, writes Judy Dempsey.

The congress, the last before the first free parliamentary elections since 1946, is expected to lead to a showdown between conservatives and centrists on one hand and radical reformers on the other, led by Mr Imre Pozsgay and Mr Rezso Nyers, the party chairman.

The reformers' programme - which was spelt ont at the weekend during the founding meeting of the Federation, and will be presented at the congress - includes the banning of party organisations in workplaces and an end to restrictions on private property.

Fed reviews rates amid ambiguous economic signs

By Peter Riddell, US Editor, in Washington

THE policymaking Open Market Committee of the Federal Reserve meets today and tomorrow to review its interest rate policy faced by ambiguous signs about the state of the US economy.

A rise in government and commercial building, on offices, hospitals and industrial sites, lifted overall US construction expenditure in August by 1.8 per cent, the largest gain this year. This followed two months of decline. Residential construction was flat.

But the latest report yesterday from purchasing executives points to a slowing in activity in September, for the fifth month running, with the main positive features a sharp increase in export orders and a marked slackening in price increases.

This follows an 0.3 per cent increase in August in the Commerce Department's index of leading indicators, suggesting continued slow growth.

The general expectation among Fed watchers is that *the Open Market Committee* will stick to its policy of holding interest rates steady.

This is despite continuing calls from members of the Bush administration for further *reductions* in interest rates.

The purchasing managers' index was 46 per cent in September, up from 45.2 per cent in August and exactly where it was in July. Apart from August, this is the lowest level since December 1982. Readings of below 50 per cent point to a declining level of activity in manufacturing industry.

Mr Robert Bretz, chairman of the National Association of Purchasing Management's Business Survey Committee, and director of materials management at Pitney Bowes, said yesterday that the purchasing managers' index (PMI) has averaged 49.5 per cent for the first three quarters of 1989.

"Past experience indicates that if this average were to continue for the final quarter, it would be consistent with real GNP growth of about 1.7 per cent for all of 1989. However, the PMI average for the third quarter (45.7 per cent) is probably more consistent with real GNP growth closer to 0.6 per cent."

Chile backs symbol of democracy's return

He lacks fire but feels right, so opposition man leads the polls, writes **Barbara Durr**

FOR most Chileans, the presidential election in December amounts to a choice between a return to democracy or a continuation of the old regime. They look set to support the former.

Opinion polls put Mr Patricio Aylwin, the candidate of the 17-party opposition coalition, way out in front. A 70-year-old lawyer and Christian Democrat, he enjoys this enormous popularity in spite of being unexciting *and an avuncular* figure of little fire or controversy.

This "man of consensus" is quietly and deftly reconciling the diverse political interests of his left-to-centre coalition. And, *having* presided over the opposition's efforts last year to defeat General Augusto Pinochet in a national plebiscite, he *has* earned *his image as* symbol of Chile's fight to return to democracy.

His chief opponent, Mr Hernan Büchi Mr Büchi, a 40-year-old ex-finance minister, is finding it difficult to shake off his image of a *continuista* of the Pinochet regime. Mr Büchi, an unorthodox personality who sports a Beatles haircut and has few politician's skills, is trailing substantially in the polls.

Although running as an independent, Mr Büchi is backed by the right-wing parties that have been regime loyalists. He has attempted to distance himself a little from Gen Pinochet, but he did hold various posts in *the regime for* 14 years.

Patricio Aylwin: ahead in the opinion polls

A favourite opposition charge is "Where was Hernan Büchi when human rights were being violated?". Mr Büchi's exits by the side door on this one: "The defence of human rights does not only have to do with the dramatic cases that move all of us. The silent rights of thousands are defended by a fight against infant mortality, poverty, malnutrition *and* underdevelopment."

Mr Büchi can rightly boast about his success in guiding the Chilean economy during the last four years. The country is in its fifth consecutive year of growth of more than 5 per cent with relatively low inflation. Mr Büchi promises to build on this, creating more jobs and spending more on social programmes.

But the election will not be decided on economic policy alone. In a society as small as Chile's where many have been touched directly or indirectly *during the last 16 years by the* Pinochet regime's abuses, Mr Büchi's reply to the human rights question leaves room for doubt about his political sensitivities. Even some of those who are his natural supporters *may not* be able to bring themselves to vote for him.

Human rights is perhaps the most difficult issue in Chile's *transition to democracy. In Mr* Aylwin's political platform, he asks for annulment or repeal of the 1978 amnesty law which covered the military's worst period of rights violations. Mr Aylwin has repeatedly said that the crimes must be investigated and the culprits identified, but that punishment is a different question.

Amnesty of some kind could be applied once the facts are known. Mr Büchi opposes annulling or repealing the law. The military fiercely opposes any removal of the 1978 amnesty. Junta members have even threatened "serious consequences" if the law is overturned.

Hernan Büchi: struggling to escape the past

While human rights and democratic credentials may be Mr Aylwin's strong suit, the shadow of the Allende period hangs over his campaign. The three-year presidency of Mr Salvador Allende, a socialist who was overthrown in 1973 by Gen Pinochet and died in the coup, is remembered now – even by supporters – as a time of calamitous political error. Although Mr Aylwin opposed Mr Allende and initially supported the coup, many of his allies today were participants in Mr Allende's Popular Unity government.

Thus, *the opposition* coalition faces suspicion from the business community and politically conservative Chileans. A top goal for Mr Aylwin is to assuage fears that his government will be slave to the *demands of his more* left-leaning allies. He argues that socialism has changed in the last 20 years. At the same time, he has chosen as his chief economic adviser a moderate, Mr Alejandro Foxley.

Mr Foxley's main concern is to preserve the economic successes of recent years in Chile while gradually improving basic social conditions in health and education. He has also been trying to persuade businessmen that no radical changes are in the offing.

In the view of Mr Enrique Krauss, Mr Aylwin's campaign *chief*, simply winning the election is less worrisome than what Mr Aylwin will be able to do once in office next March. *On his right flank*, Mr Aylwin, if elected, will face Gen Pinochet, who will still be commander in chief of the army. On his left, the 17-party coalition is not expected to last.

A third candidate, Mr Francisco Errazuriz, is a right-wing populist who Mr Büchi's supporters fear will take more votes from their man than from Mr Aylwin. If none of the three wins a clear majority there will be a run-off election.

White House seeks capital gains tax compromise

By Peter Riddell

THE White House is working for a compromise on the rival proposals now being considered by Congress for a cut in capital gains tax and extending tax relief for savings via individual retirement accounts.

The House of Representatives last week approved a temporary cut in capital gains tax to a maximum of 19.6 per cent lasting until the end of 1991, after which the rate would be *raised* to 28 per cent and gains resulting from inflation would not be taxable.

Both the administration and the Senate *Democratic* leadership regard this proposal as unsatisfactory. The White House would like to make the cut permanent, while the Senate leadership opposes any reduction now and would like to introduce concessions on individual retirement accounts.

However, about a dozen Senate Democrats, mainly from states with high technology and timber interests which would benefit, are believed to favour some form of cut in capital gains tax and they are drafting their own alternative. This might concentrate on helping start-up companies and focusing *on long-term investment*.

Mr Marlin Fitzwater, President George Bush's press spokesman, *said yesterday that* the White House had not taken firm positions on any of the proposals being considered. Noting the various options, he said the White House was working with the senators and their staffs on various proposals. "We are kind of in a negotiating period in that sense."

Mr Fitzwater said the White House *still* wanted the House version (which included the capital gains tax cut but no individual retirement account relief) "or something close to it, and that's what we're working for."

But Mr Fitzwater added that the administration was keeping an open mind on the proposals being considered by the Senate. "At this point in the process, we don't want to get into the ruling out business. Our focus is on the capital gains cut and that is our basic position."

Both the administration and the Democratic leadership agree that a capital gains tax cut of the size approved by the House and large-scale tax concessions on individual retirement accounts cannot both be afforded because of the need to reduce the Federal budget deficit.

High turnout for Nicaragua poll registration

By Tim Coone in Managua

THERE was a substantial turnout on Sunday for Nicaragua's first day of voting registration for next *February's* general elections. The right-wing is contesting the elections for the first time since the 1979 revolution.

An estimated 1.8m Nicaraguans are expected to register for the polls on Sundays this month. Many polling stations, especially in more affluent neighbourhoods, registered as many as half their expected total voters on just the first Sunday. Observer teams from the United Nations and the Organisation of *American* States were out in force.

In the 1984 elections 1.55m people registered to vote, of whom 25 per cent abstained on voting day, partly due to the refusal of the right-wing parties to participate.

Both the ruling Sandinista party and the main opposition alliance have claims to have overwhelming support.

Bush endorses Mubarak plan for West Bank poll

By Peter Riddell

PRESIDENT George Bush yesterday gave a full public endorsement of President Hosni Mubarak of Egypt's ten-point plan for implementing Israeli proposals to hold elections by Palestinians in the West Bank and Gaza Strip.

After a 45-minute meeting between the two leaders at the White House, Mr James Baker, US Secretary of State, underlined the US support for President Mubarak's plan which it saw "as complementary to the Israeli election proposal and as a means of permitting a dialogue to get started which would enable us to move forward. I believe that's the way the Egyptian government views this as well."

Mr Baker said that both leaders agreed that the Egyptian plan and the Israeli election proposals were not competing.

The US, he added, would now like to see the Israeli Cabinet at its meeting on Thursday "conclude that they would like to go forward with discussions respecting a dialogue between Israelis and Palestinians that could lead to elections."

Asked to comment on a report that the Bush administration has proposed a joint Egyptian-Israeli committee to pave the way for the elections, Mr Baker said the US had suggested "the possibility that the three nations could in some way determine the Palestinian representation with respect to the dialogue."

Editorial Comment, Page 26

Panamanian opposition leader 'held by police'

A PANAMANIAN opposition politician said yesterday that police had arrested an opposition leader and a group of supporters, AP reports from Panama City.

Mr Ricardo Arias Calderon, a former candidate for vice president, was arrested with the others on Sunday in Veraguas province, 180 miles west of the capital, according to Mr Guillermo Cochez, a fellow Christian Democratic Party leader.

He said military police had detained the nine on charges of civil disobedience. Officials of the Defence Forces said they knew nothing of the arrests.

The group had been urging people to delay paying taxes and utility bills as a way of increasing economic pressure on General Manuel Antonio Noriega, head of the Defence Forces and Panama's *de facto* leader.

The opposition also advocates a boycott of the lottery and gambling casinos, which the government controls along with most of the country's utilities.

"I have no knowledge of these arrests," said an officer at the military barracks in Santiago de Veraguas, the provincial capital. But Mr Cochez said party activists saw the nine in the provincial jail.

"They were charged with inciting civil disobedience and creating groups that promote violence," he said.

Mr Arias Calderon was one of two opposition vice presidential candidates in the annulled May 7 national elections on a ticket led by Guillermo Endara, who was in the 13th day of a hunger strike yesterday as part of the anti-Noriega campaign.

The government annulled the May 7 election. The opposition and neutral observers said returns showed the opposition winning by a large margin. The government said the elections had been tainted by interference from the US.

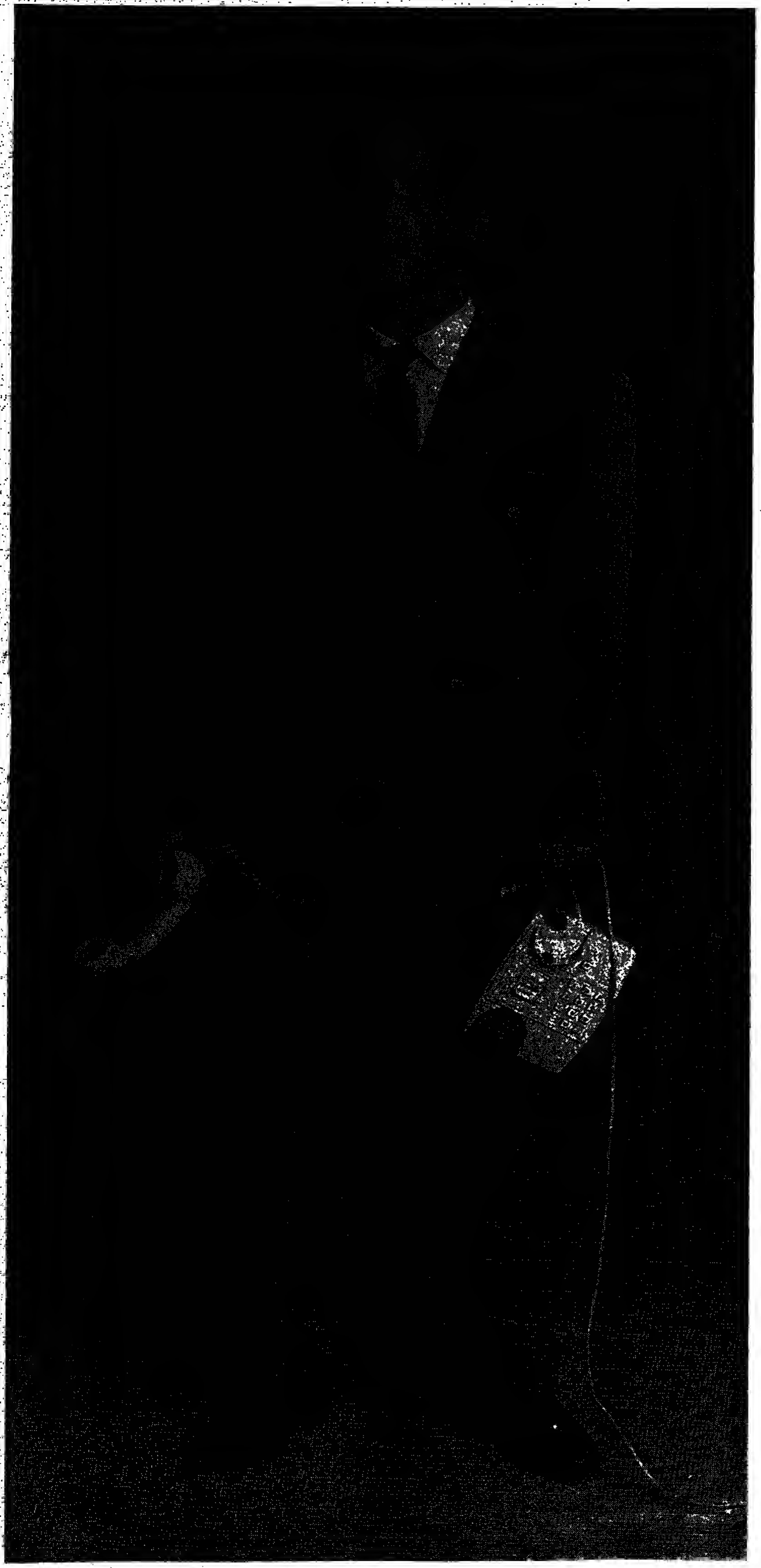
The government depends heavily on revenues from the lottery and casinos. It has been short of funds since the US imposed economic sanctions on Panama soon after US courts indicted Gen Noriega on drug-trafficking charges in 1988.

Mr Endara, Mr Arias Calderon, and his other running mate Mr Guillermo Ford want Gen Noriega to respect the results of the May elections.

The US refuses to recognise the Noriega-dominated government and considers Mr Endara and his running mates Panama's legitimate leaders.

Gen Noriega named Mr Francisco Rodriguez as provisional president on September 1, the day Mr Endara was to have been sworn in.

Jimmy Destry
Our Junior Trader on the Secondary Markets Desk.



A EUSTON FILMS PRODUCTION FOR THE ITV NETWORK.

Shane Longman is an investment bank with a pedigree. Originally family-owned, its history goes back well over a hundred years.

But that's irrelevant these days, with merchant banking in the grubby hands of people like Jimmy Destry.

Jimmy, our junior trader, is fast, flamboyant – and rotten to the core. His one saving grace is that he is intensely loyal.

He's loyal to someone he sleeps with every night. He's loyal to Jimmy Destry himself.

He's on the phone all day making deals. At the end of the day he either breaks even. Or he breaks the phone.

One of our senior traders headhunted Jimmy from a rival bank. When you see Jimmy smashing his phone, after an unsuccessful day at the bank, you'll wonder why they bothered.

But Jimmy is definitely one of the star attractions at Shane Longman, the merchant bank in the new drama serial from Thames Television called *"Capital City." It's on ITV at 9 o'clock on Tuesday nights.*

It's going to rip the lid off the world of merchant banking. Unless Jimmy gets there first - because he likes ripping things off himself.

THAMES TELEVISION XXI

Shane Longman

A merchant bank worth watching.

OVERSEAS NEWS

Religious violence erupts in India

By David Housego in New Delhi

TENSION between Hindus and Moslems has flared up in *northern and central India* arousing fears that communal violence will cast a shadow over the forthcoming general election campaign.

Badaun, a small town in Uttar Pradesh, has been under curfew for four days after 30 people were killed and shops looted and burned during clashes between the two communities. In Madhya Pradesh in central India, curfew has also been imposed in three towns after rioting between Hindus and Moslems.

Though widely dispersed these are all places where Hindus and the minority Moslem community are believed to *have lived in reasonable harmony* since the bloodshed that accompanied partition and the creation of Pakistan.

The cause of the renewed tension is an explosive conflict over the ownership of a a mosque at Ayodhya, north east of Lucknow, the capital of Uttar Pradesh. Hindus maintain that the mosque, built in the 16th century by Moslem conquerors, was constructed on the site of a Hindu temple that commemorated the birthplace of Lord Rama, a Hindu God. The Hindo militant movement, the Vishwa Hindu Parishad, is demanding that the mosque be returned to the *Hindu ownership.*

In what could be a slow burning fuse towards a potential conflagration, the Hindu Vishwa Parishad begins today gathering together bricks that have been blessed in every village in India and which will be used to build a new temple at Ayodhya. The foundation stone for the new temple will be laid on November 9 – though Hindu leaders say that this will not entail the immediate destruction of the mosque.

India's Moslem community fears that if they cede ownership of the Babri Masjid at Ayodhya, they will be under pressure to do the same for other disputed Moslem shrines. For a great many Hindus recovery of the Babri Masjid, known to Hindus as Ramjanmabhoomi (Rama's birthplace), has become a crusade.

Political parties have got drawn into the conflict because one of the main opposition parties, the militant Hindu BJP, supports the campaign to restore the mosque to Hindu ownership. Prime Minister Rajiv Gandhi's Government is also under pressure to give tacit support to the Hindu militants as a means of strengthening its support in the election.

Stately passenger car to be given a facelift

THE *Ambassador*, *India's* veteran car and symbol of resistance to technological change, is to be updated, David Housego writes.

Mr G.P. Birla, chairman of Hindustan Motors, has announced that an improved version of the 50-year-old car based on the Morris Oxford is to brought out in October. It will be called the Regent and have substantial changes to steering and suspension.

Hindustan Motors produces 29,000 Ambassadors a year. As a stately vehicle it remains a *favourite* with government offices and many Indians claim that its ruggedness makes it ideal for the country's roads. But it has only survived because in a highly protected car market it has until recently had virtually no competition.

The updating of the Ambassador is part of wider model changes announced by Hindustan Motors that reflect the pressures of growing competition and a growing desire by customers for better quality.

Mr Birla said that the group was now developing a totally new car with a fuel efficient engine of about 1500cc and an aerodynamically designed body. The group hopes to market this in 1991-92.

Hindustan Motors brought out two years ago the Contessa, a luxury passenger saloon car which has a Vauxhall body and an Isuzu engine. The Contessa is also to be marketed with a diesel engine.

In its efforts to improve fuel efficiency on the Ambassador and to modernise it, Hindustan Motors has signed an agreement with Ricardo Consulting Engineers of the UK. Ricardo are also negotiating with Escorts to help them over the design and development of their motor bikes.

Chinese visit to Nepal worries India

LI PENG, the Chinese Prime Minister, will pay a three-day visit to Nepal next month, officials said yesterday, Reuter reports from Katmandu.

Li would be in Katmandu from November 19 to 21 after visits to Pakistan and Bangladesh, and would return home through China's Tibet region, where anti-Peking nationalism has become a serious problem, the officials said.

Nepal is one of the world's 10 poorest countries which has suffered sharp economic decline since a trade war broke out with India in March. It depended on India for most vital imports, including oil, until the trade war broke out, and has asked Peking for more aid.

The trade problem, despite talks between Mr Rajiv Gandhi, India's Prime Minister, and King Birendra, Nepal's absolute ruler, has shown no signs of early resolution.

Although New Delhi's relations with China, which humiliated the Indian army in a 1962 border war, have improved in the last year, India is unlikely to view Li's visit with equanimity.

Indian officials admit Nepal's increasingly friendly ties with China was one reason for its anger with Katmandu and its tough action on trade. India closed all but two frontier posts to Nepali imports and exports in March when trade and transit accords expired without agreement on new ones. Officials fear Katmandu's desire for closer ties with Peking was at the root of the problem.

Tigray rebels move quickly towards Ethiopian capital

Julian Ozanne reports from Addis Ababa

STRIPPED of their boots and Soviet-supplied Kalashnikovs, Ethiopia's ragged and war-weary army is rapidly retreating into the strategic garrison town of Dese, the last military stronghold north of the Ethiopian capital Addis Ababa and a key point in securing the Asab-Addis road, the capital's only safe access to its Red Sea port.

A series of crushing defeats at the hands of the rebel Tigray People's Liberation Front (TPLF) in the past four weeks has left the Marxist military regime of President Mengistu Haile Mariam severely crippled.

For the first time since the Ogaden War in 1977, Western and East bloc diplomats are admitting the possibility, although slim, of the regime being defeated on the battlefield.

Four weeks ago, the TPLF, which earlier this year took control of the whole of Tigray Province, poured across into neighbouring Welo Province. An intense nine-day battle was fought around Kobo, routing the government troops and forcing the military to evacuate the town of Weldiya. The TPLF then quickly advanced down the Asmara road towards Dese.

Diplomats estimate that 18,000 government soldiers were killed, wounded or taken prisoner, and an entire armoured brigade and thousands of small arms have been captured by the rebels.

The TPLF are now within 30 kms striking distance of the Asab road and are preparing to surround Dese, the 40,000-strong headquarters of the Third Army, and Kombolcha, a strategic airbase and centre of a huge United Nations famine operation.

Although an unofficial ceasefire exists in Eritrea as a result of peace talks between the government and rebels, military analysts say the secessionist Eritrean People's Liberation Front (*EPLF*) is guaranteeing the TPLF's northern flank from attack by the 150,000-strong Second Army which is garrisoned in Asmara.

The TPLF has also claimed the recent victories under the banner of the Ethiopian People's Democratic Revolutionary Front – an alliance of the TPLF and the non-Tigrayan Ethiopian People's Democratic Movement. The EPDM operates mostly in Gondar Province and their activity around Bahir Dar prompted the Government to reinforce Gondar city with 15,000 troops last month.

> Mengistu responded by killing, arresting or removing all the most senior military command, depriving the army of its most experienced fighters

The recent rebel success has highlighted the low morale of the 330,000-strong Ethiopian army, the biggest in sub-Saharan Africa, following 18 months of military reverses and the unsuccesful coup by the military top brass in May. President Mengistu responded by killing, arresting or removing almost all the most senior military command, depriving the army of its most experienced fighters. The commander of the First Army stationed at Harar, for example, was replaced by the Relief and Rehabilitation Commissioner.

"Mengistu's power base has always been the army and now the army is imploding," said one senior western *diplomat* in Addis Ababa. "There is no willingness to fight in the army and the only public demand of the rebels is get rid of Mengistu. It won't take time for some generals to come around to that conclusion in the face of complete military annihilation."

At its weakest time, the Mengistu regime is also being *deserted by its allies.* Throughout the course of this year, the Soviet Union, which has shored up the regime with \$5bn-\$6bn of military assistance since 1977, has urged Mengistu to negotiate with the rebels and reform his economy.

The Cubans completed a *withdrawal last week*, save for some doctors and a few advisers attached to the Presidential Security Unit. Col Mengistu's foreign hopes are now pinned on South Yemen and North *Korea* which are *training* the army and operating a small munitions factory.

For the 15 years that he has ruled Ethiopia, Col Mengistu has demonstrated he is a tough and shrewd survivor, but these qualities are now being put to severe test.

Inching across the S African divide

Michael Holman and Jim Jones on Afrikaners talking to the ANC

TOENADERING is one of those Afrikaans words rich in political connotations and with no precise English equivalent.

Loosely translated as "coming closer together", it is the word to describe the meeting near London at the weekend between a group of Afrikaners which included South African President F W de Klerk's brother, Willem, and the banned African National Congress.

Put less succinctly in English by one diplomat yesterday, they were holding "talks about talks about talks" – a tortuous business involving *businessmen*, *academics*, journalists and politicians from across the political spectrum.

But another Afrikaans word in the headlines that accompanied the meeting's disclosure by the Johannesburg Sunday Times was *Broederbond* – the "Brotherhood", an influential and secretive society, formed in 1919 to promote the *volk* and establish a *boere republiek.*

The term remains synonymous in South Africa with machination and mystery. Yet the society, while still influential, has been changing, becoming in recent years as much a *think-tank exploring* constitutional options as a vehicle for Afrikaner advancement. And it *was the presence of* Broederbond members, albeit in a delegation mainly comprised of Afrikaner *academics*, which excited interest this weekend.

Mr Gerrit Viljoen, the recently-appointed *Minister for* Constitutional Development, has the responsibility for setting in train talks with *black* South African leaders. Mr Viljoen happens to have been the Broederbond chairman from 1974 to 1980.

The 15,000-strong Broederbond has also been playing an important behind-the-scenes role in formulating the policy of South Africa's ruling National Party.

As the well-informed southern African fortnightly newsletter Front File pointed out, the party's "action plan" unveiled last June has a strong resemblance to confidential Broederbond documents circulated in 1986 and earlier this year.

The "action plan" seems to reflect several ideas carried first in the Broederbond *documents*, notes Front File, including a complex proposal for *"group [ie race group] rights"* and decision making by consensus.

"The Broederbond *may play* a key role in the anticipated negotiations – or at least talks about *talks* – with the ANC," forecast Front File last August.

It may well be that these latest talks, at which the ANC was represented by information chief Thabo Mbeki, did not bring a formal meeting between *Pretoria and the* ANC significantly closer. Nevertheless, there are several factors which *suggest* that the *glacial* rate of progress towards the conference table may quicken.

Among the forces at work is the emergence of common ground between Washington and Moscow in their *southern* Africa strategy (best borne out by the Namibian settlement), *accompanied* by *pressures* Moscow is bringing to bear on the ANC, urging it towards *negotiations.*

At the same time Pretoria, starved of foreign capital and *feeling the pinch of trade* sanctions, is itself under pressure, reinforced by the revival of *black* protest, co-ordinated this time by trade unions rather than radical students. The election victory last month of the ruling National Party on a platform of negotiation reflected the thaw.

But what may prove to have been a seminal event took place on July 5 when then South African President, Mr P W Botha, had tea in his Cape Town office with the imprisoned ANC leader Mr Nelson Mandela.

Nearly a week later, the South African Prisons Department released a carefully drafted statement by Mr Mandela, in part responding to the Government's claim that both men "availed themselves of the opportunity to confirm their support for peaceful development in South Africa".

Mr Mandela's words represented a compromise between Pretoria'e insistence that the ANC, which has an armed wing, renounce violence as a precondition to talks, and the organisation's refusal to do so.

"The *statement* issued by the Minister of Justice, Mr Kobie Coetsee, on the meeting between the State President and myself is an accurate reflection of what happened at *that meeting*," he wrote. The ANC leader went on to assert that the statement "constitutes no *deviation* from the position I have taken over the past 28 years, namely that dialogue with the mass democratic movement and, in particular, with the African National Congress, is the only way of ending violence and bringing peace to our country."

But he finished with what may prove to be the key to the prison door: "As implied in the original statement, I only would like to contribute to the creation of a climate which would promote peace in South Africa."

Yesterday President de Klerk made a point of dissociating his goverment from the meeting in London. But after his predecessor's cup of tea with Mr Mandela, he can hardly deny that *toenadering* with the ANC is in fact under way.

The African National Congress said yesterday that press reports of ANC officials meeting a formal delegation of the Broederbond – a secretive Afrikaner organisation close to the ruling National Party – were untrue. An ANC spokesman in London said the organisation would not meet the Broederbond. "It's possible some were members, but this was a meeting with Afrikaner intellectuals, not Broederbond," he added.

In Pretoria, President F.W. de Klerk yesterday dissociated himself and his Government from the talks, saying Pretoria was not involved in them directly or indirectly, and disapproved of them.

Mbeki: represented ANC

Sun rises on fortunes of Japan's Liberal Democratic Party

The ruling party is emerging from scandals and poor election results to reassert itself, writes Stefan Wagstyl

A LONE by-election result proves little. But together with other evidence from polls, newspapers and straws in the wind, a by-election victory on Sunday has given the beleaguered leaders of Japan's ruling Liberal Democratic Party hope that the worst is over in their year-long political crisis.

They have good reason for thinking they have regained the initiative from the opposition Japan Socialist Party in the weeks since the LDP suffered its biggest electoral defeat in more than 30 years when it lost control of the Diet's upper house in July.

The recovery in the LDP's fortunes, however, has a long way to go before it can be certain of success in the next general election, which has to be held by next summer.

Current opinion polls show the LDP could lose its majority if the general election was held tomorrow – though it would remain the largest single party.

On Sunday in Ibaraki, north of Tokyo, Mr Itsuo Nomura, the LDP candidate, held onto a vacant seat for the ruling party in the upper house, reversing the verdict in the national election in July when the JSP won Ibaraki.

For Mr Toshiki Kaifu, the prime minister who campaigned three times in Ibaraki, the result is a personal triumph.

Electoral success is not all-important in the party's inner circle – but Ibaraki will have reinforced Mr Kaifu's position. *It is highly unlikely* he will be challenged when he opts for re-election as party leader this month.

The LDP lost the upper house election primarily because of the introduction of an unpopular consumption tax. It was also hurt by protests against its policy of liberalising agriculture and by succession of financial and sex scandals, headed by the Recruit bribery affair.

Since then, many voters have returned to the party. Some have simply got bored with political scandal, others voted against the party in July only to register a one-off protest. They have been wooed by promises of political reform, a slow-down in agricultural liberalisation and a pledge to reform the consumption tax.

The momentum of the Japan Socialist Party's attack on the LDP has slowed. Miss Takako Doi, the JSP leader, has failed *to end party wrangling on key* issues such as relations with the US.

Following its success with women candidates in the summer, the JSP put up a woman in Ibaraki. But she failed to capture the popular imagination. Voters told Japanese reporters they wanted evidence that the JSP had credible policies. The party is committed to abolishing the consumption tax – but has not offered a clear alternative.

The Ibaraki verdict bore out national opinion polls, showing rising support for the LDP. Jiji Press, a news agency, last week said 33.1 per cent of *people polled planned to vote LDP* at the next election – 12.5 points more than in June. The LDP is winning the argument over the consumption tax – according to a poll published last week *in the Asahi* newspaper, 51 per cent of voters support the reforming the tax rather than abolishing it. In a similar poll in May, 78 per cent of people said they disliked the tax.

There is nothing inevitable about the LDP's continued recovery. Mr Kaifu has so far had an easy ride because the Diet has been in recess for most of the summer. It resumed last week, with *serious business starting yesterday* when Mr Kaifu delivered his policy speech, outlining modest plans for political reform and unspecified revisions to the consumption tax.

The opposition parties have already tabled tax abolition bills. The real test of the LDP's new-found popularity will come as the debate over these *bills unfolds.*

If things go spectacularly well for the LDP, a few party leaders would like to call a general election as early as December. A larger number prefers to wait until next year, to give the party time to present its own tax reform plans.

There could be shocks in store for the JSP too. Some LDP supporters are trying to piece together links between the party and Japan's pachinko *parlour operators.*

The pachinko owners have made modest donations to the JSP. Rumours are circulating that some of these donations may have been improperly made – but *no evidence* has been published.

A feeling that the Government was ruling in the name of a wealthy elite which disregarded other classes was exacerbated by the introduction of the consumption tax.

In the Diet's lower house, the LDP is increasingly filling its ranks with tha sons or other relatives of present and former Dietmen. Such "second-generation" politicians will *account for some 40 per cent of* the 250 LDP candidates most likely to win in the next gensral election.

But nasty surprises could still confound the best-laid plans. The opposition parties have threatened to re-open the Recruit affair by trying to summon Mr Yasuhiro Nakasone, the former prime minister, to give evidence again before the Diet. The scandal concerns events which occured while Mr Naksone was in office. Also, the first major court trials arising out of the affair are due to begin in December.

Tensions have been aggravated by the Recruit affair which highlighted widening inequalities between those who own land and shares - and those who do not.

Korean MPs clash with prosecutor

By Maggie Ford in Seoul

A CONFRONTATION between South Korea's parliament and its prosecution officials is inevitable following the Prosecutor General's refusal to accept a summons to testify before the National Assembly.

The two opposition parties, led by Mr Kim Dae Jung and Mr Kim Young Sam yesterday said they would demand the resignation of Mr Kim Ki Choon, the Prosecutor General, whom they said had abandoned his duty of political neutrality and was proving an obstacle to democratic change in the country.

The Prosecutors' office has played a leading role in a crackdown initiated by hardline members of the Government over the past six months.

Prosecutors have approved the arrest of thousands of students and workers, many charged with breaking the draconian National Security law. Mr Kim Dae Jung has been charged under the same law.

Last week prosecutors said they were investigating 21 MPs for alleged offences relating to bribery, influence peddling and having unauthorised contacts with communist North Korea. They have demanded death sentences for three students involved in an incident in which seven riot policemen were killed earlier this year.

Arafat urges Mideast role for Tokyo

By Robert Thomson in Tokyo

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, yesterday urged *the Japanese Government* to exercise the "political responsibility" that has come with its economic power and take a more active role in Middle Eastern politics.

The PLO chairman condemned the US for indications that he again would be refused a visa to visit the United Nations "even though I have not made a request", and suggested that the US position gives Japan an opportunity to "contribute to the solution" of the Palestinian question.

There are signs that Mr Arafat, on his second visit to Japan and his first as a guest of the Government, has *growing support within the Japanese* leadership. He is due today to meet Mr Toshiki Kaifu, the Prime Minister, and the Government has announced plans to "readjust" its attitude to a PLO that is a "*responsible party" and to Mr Arafat*, who is "realistic and moderate".

The PLO chairman apparently plans to ask Mr Kaifu to recognise an independent Palestinian state, but Tokyo is *not yet willing to go that far, although* it has just upgraded the PLO representative office to a "permanent general mission of Palestine".

At an address yesterday to the Middle East Institute of Japan, Mr Arafat joked that he would like to use "Japanese technology to separate the states of Israel and Palestine", but he criticised Japanese companies for expanding their links with Israel and asked that companies "*make a balance between their economic and political interests*".

"Japan has a particularly important role in watching peace in the world. Japan must contribute to the peace process. *If you don't contribute to achieving peace, then you can't expect to* contribute in the future after peace," Mr Arafat said.

Arafat salutes the PLO flag while opening its Tokyo office yesterday

Israel braces for wave of Soviet immigrants

By Hugh Carnegy in Jerusalem

A SHARP change in US policy towards admitting Soviet emigrants, implemented over the weekend, has focused attention in Israel on the challenge it faces from an expected wave of immigration by Soviet Jews at a time of severe economic difficulties.

From the end of September, all Soviets citizens wanting to go to the US – most of them Jews – have to apply directly to the US embassy in Moscow for visas. Before, Soviet Jews left the country on Israeli visas – to which they were automatically entitled by Israel – and then applied for US papers from transit centres in Europe, mainly Vienna and Ladispoli, near Rome.

The vast majority of Jewish emigrants, whose numbers have *swollen under the less restrictive policies of President* Mikhail Gorbachev, have chosen to go to the US, not to the Zionist homeland – somewhat to the *chagrin of Israelis*. But even the small numbers choosing Israel represent a significant influx for a country of *4.5m people, and US proposals* to restrict the numbers it admits annually to 50,000 have raised the possibility of an increased flow to Israel.

An emergency plan has been drawn up which assumes Israel will have to raise $3bn to cope with 100,000 Soviet immigrants over the next three years compare with 5,000 Soviet arrivals so far this year.

The plan proposes spending $2bn on 30,000 new housing units, with the rest going on services such as education and training, and infrastructural projects. With unemployment near 10 per cent, the plan states frankly that the economy is incapable of meeting such demands: "We view with great alarm the possibility of financing the deficit created *from internal resources*."

Nevertheless, it envisages the Israeli government raising $2bn – with half to be clawed back through subsidised mortgages. The Jewish diaspora, mainly the US Jewish community, is being asked to raise $600m.

WORLD TRADE NEWS

Taiwanese triple overseas investment

By John Elliott, recently in Taipei

TAIWAN companies have more than tripled their rate of new investments abroad in the first eight months of this year, reaching a record $509m (£318m) compared with $153m in the same period last year, the Taiwan government says.

But the Ministry of Economic Affairs' Industrial Investment Centre says these figures under-state the real total. Mr Johnny Ni, the centre's director, estimates total value of new foreign projects backed by Taiwan investors at $1.9bn in the first eight months of this year, against $1.4bn in the whole of last year.

Taiwan has become the first or second largest new investor in the Philippines, Thailand, Malaysia and Indonesia since a surge of foreign investment started about two years ago.

Companies have wanted to expand from their market of 20m people and have been looking for investments and takeovers in Asia, the US and Europe, in areas such as electronics and petrochemicals. For the past two years, the government has encouraged the trend as a way of reducing foreign exchange reserves.

More than $7bn is expected to flow out of the country this year into property, industrial ventures, equity and other investments. This is creating Taiwan's first balance of payments deficit for many years.

The difference in the new-investment figures has ariseu because the official statistics only include new government-approved foreign investments. Mr Ni's figures are based on total uew project costs, including equity and loans, and embrace many investments that do not need Taiwan government approval.

Figures produced by Mr Ni for the first half of this year show that new Taiwan-backed investment totalled $410m in Thailand, $360m in Malaysia, $130m in the Philippines and $50m in Indonesia. He estimates the figure for the US at $1bn in the first eight months. The official government $509m total for the first eight months includes $349m in the US and $70m in Malaysia.

Bid to defuse EC-US hormones row makes modest progress

By Tim Dickson in Brussels

EFFORTS to defuse the bitter transatlantic trade dispute over an EC ban on hormones in beef production have made only modest progress in recent weeks, according to officials on both sides.

Talks aimed at boosting shipments of hormonefree US meat, thereby leading to a corresponding reduction in Washington's retaliation, have been described as "disappointing" in both camps, and a long-term solution to the row at this stage appears little nearer than at the beginning of the year.

Mr Frans Andriessen, the EC's External Relations Commissioner, will today give EC Foreign Ministers a progress report on his weekend meeting in New York with the US Trade Representative, Mrs Carla Hills. But it was understood last night that the US sanctions are only to be scaled down for the moment to around $4m.

Altogether, Washington imposed punitive tariffs on almost $100m of EC food products on January 1 in response to the Community's blanket ban on $100m of hormone-treated meat. The US maintains that the prohibition is unscientific and contrary to fundamental international trade principles.

Hopes rose earlier in the year, when negotiators on both sides of the Atlantic began technical discussions on ways to ease the dispute. Success seems to have been achieved in setting up the means for certifying imports of high quality, hormone-free US beef under the annual 10,000 tonne quota with the Community. This represents $25m-$30m of the trade kept out by the ban.

Much more difficult is what to do about the $80m of beef offals previously sent to the EC. Washington says that its "hormone-free" herd is simply not large enough to provide these quantities, and says the EC refuses to contemplate its compromises.

Today's meeting of Foreign Ministers will decide what to do next. But while both sides are sticking to their principles, both are equally anxious to avoid an escalation in hostilities at this stage.

The mushy business of EC's peas and beans regime

Brussels wants to stop subsidy fraud, but trading partners warn of protectionism, writes Tim Dickson

THE European Community's so called "pulses" regime – peas, beans, and lupines – is not the sort of thing to provoke much political or economic interest.

Yet, say some of the EC's major trading partners, this little-publicised corner of the Common Agricultural Policy demonstrates alarmingly how the community's external policy heart is really beating.

The concern centres ou European Commission plans to force importers of dried peas and beans to pay a security deposit payment of Ecu 40 a tonne on each new consignment – a move which EC officials claim will help discourage growing fraud in the sector but which countries such as the US, Canada and Australia argue represents an objectionable non-tariff barrier to their trade.

Important principles are involved, they say, notably the EC's responsibilities in the General Agreement on Tariffs and Trade (Gatt) and its "staudstill" commitments made at the half-way stage in April of the Gatt-sponsored multilateral trade negotiations known as the Uruguay Round. But the financial stakes are not negligible.

Canadian exports of peas and beans to the EC are worth roughly C$34m; the Australians say the value of their 160,000 tonnes of trade in 1988 came to Aus$36m. Total EC imports including, a significant slice from Eastern bloc countries including Poland and Hungary, is estimated at 700,000 to 800,000 tonnes a year.

The idea of a security deposit requirement for peas and beans has been knocking around since 1980 and last came close to implementation in 1984 when it was rejected both on practical and political grounds. Such a scheme does, however, already exist for rape seed and sunflower seed imports and what really worries the EC's main agricultural trading partners is the prospect that the next target will be the vast and politically sensitive soyabeans sector.

The present position follows the adoption in June this year of a revised EC Council of Ministers regulation introducing a number of detailed administrative changes for the peas and beans regime. It referred to "the possibility of providing for a guarantee (security) ensuring that products imported are processed".

The Commission wants to try to stop fraudulent claims for EC subsidies by those passing off imported products as domestic. The aid paid under the "pulse" regime is similar to that paid to the EC's oilseeds producers and consists of direct payments to growers and processors – but of course it is only available on peas and beans originating in the Community.

Concern centres on plans to force importers to make a security deposit payment which some countries argue is an objectionable non-tariff barrier to their trade

Under the proposed deposit scheme it is not clear whether the security would be lodged by the undertaking which uses the imported produce, the importer, or the first subsequeut purchaser once the goods enter free circulation in the EC.

The Commissiou's draft implementing regulation, to be discussed at a meeting of the relevant EC management committee in Brussels on Thursday, appears to suggest that receipt of the goods by the end user would trigger the release of the money.

Predictably enough, Europe's trade associations are fiercely opposed to the new rules, with the UK's Grain and Feed Trade Association playing a prominent lobbying role. The issue, however, has also provoked high level expressions of concern by the US, Canadian and Australian governments.

The US, whose European market for peas and beans is mainly the UK's canning industry but which is also increasing supplies of peas to EC feed compounders via Rotterdam, calls the scheme "unnecessary" and "discriminatory against third country suppliers".

An aide memoire from the Australian mission to the EC in Brussels points out that trade will be adversely affected if importers have to pass on the costs of the security deposit system and that small importers in particular will be disadvantaged.

The Canadians, like other external trading partners unimpressed by Brussels arguments that the changes will reduce improper subsidy claims, have put forward their own alternative plan for an "import declaration system" aimed at tracking all shipments of imported peas and beans.

According to Mr Daniel Molgat, Canada's ambassador to the EC, it is based on domestic experience "where a similar control system has been in place for pedigreed seed for five years, and has been one of real success in eliminating an incidence of fraud which had previously run at a level of 25 per cent".

A Commission epokesman last night insisted that Brussels did not want to be "too rigid".

"If we can find alternatives, we are willing to examine them."

Saudis near to signing Brazilian tank deal

By Hunter Reynolds in Dubai

SAUDI Arabia is close to signing a deal with the Brazilian defence contractor Engesa for acquisition of an estimated 300 Osorio battlefield tanks.

The purchase will complement a deal for the supply of 315 M1-A1 tanks being negotiated with General Dynamics of the US.

The deal still has to be confirmed, but a Gulf-based Brazilian diplomat said that talks were at an advanced stage.

"The Saudis have gone beyond all the technical and feasibility studies and are now talking about the finer details, such as technical support and price," a Brazilian official said.

The Osorio is a lightweight tank. It is assembled with largely imported components, including a West German frame with a turret and fire-control system supplied by Vickers of the UK.

Military analysts emphasise that the Brazilian tank is not in competition with the US-made M1-A1. "The Osorio is 20 tonnes lighter than the M1-A1 and complements it well," said a Western diplomat in Riyadh.

Saudi Arabia has been in the market for more than 600 tanks to replace its present fleet of 450 ageing units. The kingdom currently has 300 French AMX-30s, 150 of the US-made M60-A1, and 100 M60-A3s.

The M60-A1s are currently being upgraded, and Western analysts say that the Saudis must now decide whether to upgrade the AMX-30s or mothball them. The decision to buy a mixed fleet follows a run-off between the M1-A1, the French AMX-40, Britain's Challenger, and the Osorio.

Joe Mann writes from Caracas: Venezuela's state-owned shipping line, CAVN, plans to acquire five cargo vessels from Yugoslav shipyards. Venezuela is reported to be paying for the bottoms with shipments of aluminium and other products.

Yugoslavia is reported to be financing about 85 per cent of the cost of the vessels. No details were available on the type of ships, or the overall price. If achieved, the counter-trade deal will be one of Venezuela's biggest.

Turkey brings in dumping rules

By Jim Bodgener in Ankara

ANTI-DUMPING regulations came into force in Turkey over the weekeud, completing a series of sweeping import tariff reductions and modifications since August.

The regulations are especially aimed at Comecon and Far East countries.

Reform of the Customs regime is in line with Turkey's structural adjustment goals and its pending EC full membership application, according to officials of the Treasury and Foreign Trade Under-Secretariat.

But industrialists in the import substitutiou sectors most exposed by the tariff reductions have bitterly complained that the anti-dumping barriers are small consolation.

Taking into account extra levies and development fund surcharges, levels of protection remaining for Turkish industry are 10 per cent for raw materials, 10-30 per cent for intermediate goods, and more than 50 per cent for finished products.

Officials said the latter should be more than enough for manufacturers who had pegged their prices unrealistically just below those of imported goods for far too long.

The sanctions effective from October 1 provide that a special anti-dumping tax and compensatory levy will be imposed for specific cases on a retroactive basis – for uot more than 90 days – should dumping be proved.

They are particularly targeted at pharmaceuticals, especially antibiotics from Taiwan and China.

Five in race for Indian steel plant

ESSAR Gujarat, a high-tech company that is part of the Essar conglomerate, has shortlisted five steel companies, including British Steel and Thyssen, for a contract to build a Rs14bn (£522m) steel plant at Hazira in Gujarat state, R.C. Murthy reports from Bombay.

The other three are Metchem of Canada, Nippon Steel and Hoogoven. A decision will be taken in six weeks.

Bids will be judged on financial package, technical capability and help for overseas marketing of steel. Essar also plans a pelletisation plant.

Norway to investigate computers for Armenia

By Karen Fossli in Oslo

MR THORVALD Stolteuberg, Norway's foreign minister, has ordered an investigation by the director-general of public prosecutions to determine the facts surrounding the receut shipment of 21 Norwegian computers to Armenia, in appareut violation of CoCom export rules.

Last week, a shipment of detergent destined for Armenia remained in Oslo while 21 computers went instead.

The incident comes as a blow to Norway following the case of Kongsberg Vaapenfabrikk, its state arms maker, which was involved two years ago in sales of sensitive machine tools to the Soviet Union.

The sale is alleged to have given the Soviet Union an edge over Western technology in the production of propellers for submarines, quiet enough to allow them to go undetected. Norway later tightened its strategic export control laws.

UK NEWS

Labour votes for multilateralism, big defence cuts

By Michael Cassell, Political Correspondent

A DECISION in favour of large cuts in defence expenditure by a future Labour government yesterday overshadowed the party leadership's success in ending its commitment to unilateral nuclear disarmament.

A call to delegates at the opposition party's annual conference, in Brighton, for £20bn defence budget to the levels of other European countries and to spend the savings of up to £9bn on social programmes was opposed by Mr Neil Kinnock, the Labour leader. Even so, it was overwhelmingly approved by 4.2m votes to 1.9m.

The Labour leadership fears that the decision will have handed valuable ammunition to ministers in their attempts to demonstrate that Labour is not committed to strong defences.

Even before the vote was lost, however, it was being made clear that the decision would have no bearing on the party's new commitment to remove nuclear weapons only by international negotiation and verification. In effect, Mr Kinnock intends to ignore the conference decision.

The leadership was understandably anxious to concentrate on the party's approval, by more than 1m votes, of a defence strategy aimed at ridding the world of nuclear arms by 2000.

The party hopes that it has jettisoned a defence policy which has proved a obstacle to its re-election. Mr Kinnock said Labour now had a dependable and realistic defence strategy.

The new defence stance was approved by a margin of more than 1m votes despite the opposition of the Transport and General Workers' Union, Labour's largest affiliate. There were also impassioned pleas from other unilateralists, including Miss Joan Ruddock, a former leader of the Campaign for Nuclear Disarmament and now a party transport spokesman, who said there was no justification for changing the party's stand on defence.

Separately, an attempt by the National Union of Mineworkers to impose a 15-year deadline on the phasing out of all nuclear power stations in Britain was narrowly defeated by 3.2m votes to 2.8m. Labour is committed not to build any nuclear reactors but the leadership said the deadline was unacceptable.

Mr Kinnock's grip on the party's national executive committee was further strengthened yesterday with the failure of Mr Ken Livingstone, the hard-left MP for Brent East, to get re-elected to the National Executive Committee.

Mr Livingstone's place was taken by Mr John Prescott, the party's transport spokesman, whose relationship with the party leader came under pressure last year when he fought Mr Roy Hattersley in the election for the party's deputy leadership.

Labour leaves its hardliners behind

Michael Cassell, maps a decline in influence of radical thinking

THE IDEA of Mr Kenneth Baker, the Conservative Party chairman, taking a public sideswipe at Mrs Margaret Thatcher, sitting beside him on the conference platform, may be unthinkable and would certainly be suicidal. Mr Dennis Skinner, the Labour party chairman, has no such qualms about attacking his own leadership in front of delegates.

That Mr Skinner's jibes and criticisms, wittily but pointedly delivered, have no real impact on events only serves to underline the present impotence of the party's extreme left as it watches Labour knock itself into shape for the next election.

Mr Skinner's temporary post merely offers one of the rare shop windows for the left as Mr Neil Kinnock and his colleagues this week push through their reforms in a way which some delegates claim makes the Tory party conference, which is renowned for its set pieces, appear positively anarchic.

The left, for a time increasingly in the ascendant after the 1979 election defeat and enjoying a grassroots dominance under the two former Prime Ministers, Mr James Callaghan and Mr Michael Foot, has now been marginalised under Mr Kinnock's leadership.

By the time the two-year policy review began, their grip on the party had weakened, with the Kinnock camp mounting what it saw as the first, effective ideological opposition in many years. Mandatory re-selection of MPs, the stick with which the left intended to beat its parliamentary representatives, has proved a non-event.

Changes in the composition of the ruling National Executive Committee, once a hot-bed of dissent and the source of continuing problems for successive labour leaders, reduced the number of dissidents within the highest echelons of the party leadership to a rump before the review began.

Apart from Mr Skinner, the extreme left has been tirelessly but ineffectively championed on the NEC only by Mr Tony Benn and Mr Ken Livingstone, who have become accustomed to being slapped down by Mr Kinnock and his overwhelming majority. The leadership insists that the eclipse of the left has emanated, primarily, from the victory of new ideas, rather than from any organisational or rule changes intended to squeeze it out.

Even so, the job of enfranchising more ordinary members is not yet complete. The principle of one member, one vote, this week endorsed as the method for electing the party leader and deputy leader, is already an option available to constituencies in voting for the NEC.

This year, about half the constituency parties have adopted one member, one vote and Mr Kinnock has given a clear hint that they are likely to be obliged to do so from next year. With plans to build a mass membership – so far proving of very limited success – and changes in the trade union block vote on the agenda, the process of democratisation is not complete.

The left's problem in Brighton this week, where the party is holding its annual conference, is how to argue effectively against a leadership and against policies which now increasingly appear to offer Labour a chance of victory at the next general election.

Skinner: far left champion

Even Mr Tony Benn, who says he now regards himself more as a teacher of socialism than a front-line practitioner, accepts there is a very good chance of Labour winning. In his view, however, victory would come despite the policy rethink and not because of it.

Mr Benn and his colleagues are also busy explaining that any party which the public sees as changing longstanding pledges merely in order to win support will sacrifice its credibility.

They also say that, even if Labour won, it would almost certainly go on to fail because it had dumped radical, socialist policies in its efforts to broaden its appeal and would be left with an ineffectual mish-mash of a strategy. The left's core agenda remains intact: centralised planning, democratic control and common ownership of the economy's "commanding heights," along with a non-aligned and non-nuclear foreign and defence policy.

But having soundly lost the arguments on policy, much of the rhetoric this week is aimed at stirring unease that the policy review process has been left in the hands of a few and that conference itself is turning into a US-style convention where balloons will eventually replace debates.

At a sparsely-attended fringe meeting called by Labour Left Liason, the extreme left umbrella group, Mr Benn warned: "The flickering flames of democracy and representation are being snuffed out in the name of new realism and victory."

If that victory comes, the left can expect to be marginalised still further, unless or until things start to go wrong. Its best chance of an early revival lies in a fourth, consecutive general election defeat which would, again, put the future of the party up for grabs.

Hammersmith and Fulham court case

London Council says actions were not enforceable in law

By Richard Donkin

HAMMERSMITH and Fulham Borough Council embarked on illegal dealings in capital markets which exposed ratepayers to losses running into hundreds of million of pounds, the High Court in London was told yesterday.

One estimate early this year put possible losses as high as £406m but that was projected on the basis of interest rates remaining lower than has been the case. According to counsel for Mr Anthony Hazell, District Auditor, if the calculations were to be carried out today, the losses could be even greater.

The District Auditor, who is independent of the council and answerable to the Government's Audit Commission, is seeking a declaration that the contracts entered into by the council were not enforceable in law. Mr John Howell, counsel for Mr Hazell, said the council's dealings over the financial years 1987-88 and 1988-89 left it facing a "potentially grave financial situation."

During those two years, he said, the council entered into 592 deals involving a range of financial instruments, not "traditionally used by local authorities."

These instruments – under which the council sought to profit from swings in interest rates and premiums on some of the deals – involved in total a notional value of abont £6.025bn. This, however, was a theoretical value but that amount of money did not change hands.

Mr Hazell's application is being supported by Hammersmith Council in the hope that it can avoid paying millions of pounds it lost on the deals to banks and financial institutions.

Five institutions – Midland Bank, Barclays bank, Chemical Bank, Security Pacific National Bank and Mitsubishi Finance International – are represented at the hearing to argue that some, or possibly all, of the transactions could be ruled acceptable under the Local Government Act of 1972.

Mr Howell told the court that: "Capital market activity has exposed the council, its ratepayers, and future community charge payers to very substantial losses if the transactions prove to be enforcable."

He said the council now accepted that its activities had been unlawful and that it had acted beyond its powers, with few internal controls or provisions. He said that Hammersmith had first become involved in the swaps market in December 1983 and had made comparatively few deals before April 1987.

By the end of July 1988, however, Hammersmith had embarked on a wide range a transactions. He said an estimated 77 local authorities nationwide had entered some 400 deals on similar financial instruments with a total notional value of £4bn.

Estimates made last February of how much the council could owe varied between £185m and £406m.

The hearing resumes on Wednesday.

●Nalgo, the UK's public service union, warned yesterday that fire brigades in parts of London were responding more slowly than usual to emergency calls because of a dispute over staffing.

In one case, it took firefighters 21 minutes to arrive at a fire after it was reported, the union said. Home Office regulations state that the maximum response time should be five minutes.

The dispute follows the authority's decision to tackle staff shortages by training 24 temporary workers.

Rawlins to be named SE chief executive

By Richard Waters

THE STOCK Exchange will today announce that Mr Peter Rawlins, an accountant who is still in his late 30s, is to become its new chief executive.

Mr Rawlins, a director of Sturge Holdings, the largest Lloyd's underwriting agent, arrives at a critical time for the market. The exchange has in the past year reviewed its aims, culminating earlier this year in a decision to allow outsiders to take majority control of its settlements and clearing operations.

The market is still under attack from member firms, which claim its services are too expensive, and is a long way from automating its settlements system.

Mr Rawlins, trained as an accountant at Arthur Andersen and rose to prominence as a protégé of Mr Ian Hay Davison, a former Andersen senior partner.

He accompanied Mr Davison first to the Accounting Standards Committee and then to Lloyd's. Mr Rawlins later returned to a partnership at Andersen before being tempted back to the insurance world by Mr David Coleridge, chairman of Sturge.

Stock Exchange delays reforms to equity trade rules

By Richard Waters

THE London Stock Exchange has delayed controversial reforms to its UK equity market rules after failing to gain enough to support from member firms to proceed.

But Mr Nigel Elwes, chairman of the Domestic Equity Market Committee, which drew up a list of 16 proposed changes, said they would still be pursued, and that the only amendments would be in "degrees of emphasis."

The committee's proposals, published in May, which were intended to be the first significant overhaul of the system which was introduced at the time of deregulation in 1986. They were intended for adoption by the Exchange's council in early September, but were delayed because of the many detailed responses received.

The council yesterday agreed to seven of 16 proposals, but shelved decisions on the remaining – and most controversial – rule changes.

These include reintroducing some obligation on market makers to deal with each other at prices quoted on SEAQ (the Exchange's quote-driven market-making system). The Exchange did away with the obligation earlier this year after large market makers complained it exposed them to "fair weather" dealing from newer entrants to the market.

That decision has been attacked – as have some of the proposed changes – by some securities houses which claim that they represent an attempt by the City of London's "old guard" to swing the rules in their own favour.

The council approved a new system for classifying stocks, doing away with the grading of stocks into alphas, betas, gammas and deltas. These classes are judged to be too inflexible, given that some dealing and reporting rules are geared to a share's category.

Among the controversial issues the Exchange says are to be given "further detailed consideration" are limits on the minimum size of bargains that market makers can quote on Seaq; introducing tests of market makers' performance; forcing agency brokers to expose matching business to a market maker before attempting to deal themselves; and whether market makers should be obliged to deal with brokers which are acting as principals.

Credit figures show record £4bn in August

By Patrick Harverson, Economics Staff

A RECORD £4bn of new credit was granted to British consumers by finance houses, building societies and on bank credit cards in August, official figures showed yesterday.

The figures indicated that consumer spending has not slowed as much as the Government would have liked. At the same time, the Central Statistical Office announced a small upwards revision of retail sales volumes in August.

The CSO said there was a seasonally adjusted 23 per cent rise in new credit in August from £3.23bn in July. It said that most of the rise was due to the rush to buy new cars in August.

Outstanding credit on consumer credit agreements rose by £370m to £26.26bn in August from £25.88bn in July. The rate of increase in August was 50 per cent on July's £245m. Much of the rise, said the CSO, reflected exceptional levels of credit card spending, probably for holidays.

The CSO said that the rise in consumer credit outstanding in August was 14 per cent lower than the £431m recorded in the same month in 1988. But analysts said that in August last year Britain was near the peak of the consumer boom. A year of high interest rates since then should have had a greater impact on the demand for credit, they said.

The latest consumer credit growth was higher than expected. Analysts said that the recent indicators of consumer behaviour for August painted a worrying picture of spending patterns. Last month's bank lending numbers and the money supply figures, published last month, and yesterday's credit data all suggested that demand from consumers in August was more buoyant than expected.

However, the figures had little impact on financial markets which, said analysts, were more preoccupied with the condition of sterling.

Treasury officials took the view that there was nothing new in the credit figures, saying that the rise in credit card borrowings in August had already been seen in last month's figures for lending by British commercial banks.

The CSO made a marginal revision in its estimate of retail sales volumes in August. Seasonally adjusted retail sales are now thought to have risen by just 0.5 per cent in the month compared with the earlier estimate of a 0.4 per cent increase. The volume index of retail sales rose to 121.6 (1985=100) in August from 121 in July.

Info-tech industry is in period of consolidation

by Alan Cane

There were 122 announced acquisitions with a value of £500,000 or more in the British information technology industry in the first six months of 1989, an increase of 49 per cent on the same period last year, according to Regent Associates, a UK-based consultancy specialising in mergers and acquisitions.

The figures provide further evidence of the wave of consolidation sweeping through the UK computers and computing software businesses. Mr Peter Rowell, Regent managing director, said the figures suggested that the venture capital industry was now having a major influence in the sector.

"Acquisition activity has previously been dominated by publicly quoted companies able to use their listing to raise the necessary funds," he said.

Although there had been a sharp increase in the number of transactions, he said the combined value of all transactions dropped by 31 per cent from £1.2bn in the first half of 1988 to £886m in the first half of 1989.

The acquisition of Istel by AT&T last month was equivalent in value to all the deals in the sector in the first half of the year.

Among companies making multiple acquisitions, Racal Electronics topped the list with four, followed by Misys, Systems Reliability and Dowty with three and almost 20 companies including Apricot, De La Rue and P&P with two each.

In Brief

Eli Lilly warning on drug policy

ELI Lilly, US pharmaceuticals group, warned it is delaying UK investment projects because of what it believes are uncertainties in the Government's approach to the drug industry, *writes Peter Marsh.*

Lilly's chairman and chief executive, Mr Richard Wood, said in London he was "scared to death" by statements from Mr Kenneth Clarke, Health Secretary, over the need to impose limits on the National Health Service's £2bn-a-year drugs budget.

He said his company would sanction no investment projects in Britain until he gained "a clearer view" about the Government's intentions on drugs policies. He said some projects were being delayed, although he could give no details.

Water share sales

The private placing of water shares in continental Europe will be handled through a regional syndicate structure – an approach similar to that used in previous privatisation issues, such as British Steel and British Petroleum.

The decision on whether to go ahead with the European placing will not be taken until nearer the date. But Credit Suisse First Boston lead manager for the continental European placing, yesterday announced the names of the regional managers for any issue of shares.

Amsterdam-Rotterdam Bank will handle Benelux countries, Paribas Capital Markets Group will manage for France, Dresdner Bank for West Germany and Mediobanca-Banca di Credito Finanziario for Italy.

CSFB will be regional lead manager for the two syndicates representing Switzerland and the rest of Europe.

Lead banks will work with other regional banks, which will in turn use a number of institutions to ensure that the shares are placed widely.

Beer, wine boost

Beer production in August was up 8 per cent on the same month last year at 3.4m barrels and production for the year so far is up 0.6 per cent at 24.4m barrels, the Brewers' Society said. English Vineyards' Association said the hot weather would produce a record grape harvest and 5m bottles of wine could be made this year against a previous record of 3m bottles in 1983.

Power cut in UK electricity privatisation

Max Wilkinson examines a complex UK privatisation as it splutters but stays alight

THE stage was set, the impresarios were primed. Grand patriotic music was sounded in the people's homes and billboards throughout the land proclaimed that the great electricity privatisation spectacular was coming shortly.

Alas, behind the velvet curtains of the "awareness campaigns", muffled sounds of confusion have been heard, reproaches, as players tore up old scripts and tried to write new lines, and then on the eve of the dress rehearsal for the new privatised system planned for October 1, the sound of heavy political scenery being shifted to accomodate the latest revision of the drama.

Even three months ago, many of the chief players in Britain's most complex and controversial privatisation were saying they could never get their act together for the command performance, scheduled for January 1 next year. At that date 15 utilities, apparelled as private limited companies were to assume the roles of competitors in a newly devised market in wholesale electrical power.

According to the original schedule, they would then have had three months of covert rehearsal, while remaining officially under the roof of the old state system comprising the Central Electricity Generating Board and the 12 area distribution boards.

The CEGB is now only a shadowy ghost waiting in limbo for its legal extinction, while its three scions – officially still divisions of the parent – get on with the job of dividing up their inheritance.

This job should have received the lawyers' blessing in August or at latest, September. National Power, which takes more than two third of the CEGB's power stations including most of the nuclear, PowerGen, the smaller generator, and the National Grid Company, owner of the transmission system, should all have agreed the value of their assets and the details of contracts and the market arrangements which would allow them to be privatised.

On October 1 the National Grid Company's new computer system was to be set running to make sure that a continuous auction of power contracts could be superimposed successfully on the longer term relations between the players. If that worked satisfactorily the CEGB would have been legally interred on January 1; the two generating companies, the grid company, the 12 distribution companies ans the two integrated Scottish utilities would then be ready to take their bow as independent (though state owned) companies and start the performance in earnest.

What went wrong? The main trouble was that the Government could not make up its mind what kind of a performance it wanted. It continued, until the middle of the summer, to insist on two themes, which proved to be irreconcilable in the time allotted. First, the Government wanted to show that vigorous competition would evolve between generating companies in its new private sector world.

Second, it insisted that consumers must never (or hardly ever) again be subjected to power cuts.

To ensure that they could always supply their customers, the 12 distribution companies thought they would need fairly long term contracts with generating companies, and it appeared to follow that these contracts should pass most of the capital costs (and risks) of power plant construction down to the distributors and hence to the consumers.

But if the distributors held long term contracts for the output of almost all the generating plant, they could easily prevent the generators (or anyone else) from competing effectively for their customers. This began to look like a classic monopoly, sliced in half then stitched together again.

So the ministers tore up that script, insisting that all the new contracts must be short ones.

Mr John Baker, chief executive of National Power and the player with far the most agile sense of dramatic irony, obliged at once. He sent a team of salesman out to try to capture the distribution companies' industrial customers. Mr Ed Wallis, chief executive of Power Gen followed suit.

The Government's advisers and bankers did not like this competitive scenario. It created huge uncertainties about the apportionment of risks and hence of the capital values of the different companies. How could they sell companies without a history, cast loose in an uncharted market and standing to lose half of their passengers within five years, they asked.

Meanwhile technical and financial advisers were becoming increasingly distressed by the complexities of the apparatus for a half hourly market in wholesale power.

Some form of continuous market is essential in a privatised system to ensure that the power stations with lowest running costs are always brought on line first.

At present the CEGB simply orders this to happen in accordance with its schedule of costs. But when plant is owned by different companies, the ordering must be done by a bidding process. A computerised bidding system was developed but has had to be shelved.

It was based on the industry's first ideas for dividing up the market combined with long-term contracts and the distribution companies becoming effectively owners (under contract) of the power stations. This settlement became a nightmare under the strain of live contract negotiations.

So the industry has replaced it with the idea of a modified spot market tied to a shadowy market in "capacity" contracts to make sure that generators have a reasonable chance of recovering their capital costs. Unless this can be demonstrated, the companies cannot easily be sold.

In response to the bankers' alarm, the industry agreed on September 6 to revert to secure long-term contracts with an indefinite anti-competitive agreement between generators and distributors. This agreement again sounded to the Government too much like the old story. Even within the industry it was entitled "The Fix Up".

But time was running out, even though a six month postponement had been tacitly agreed. So last week the final script was put together.

It is being called "The Compromise". Firm contracts and limits to competition will be imposed for only eight years, the Monopolies Commission permitting. Much work has still to be done on contracts, market system and stage machinery ahead of a first night sometime in March, with the sale of distribution companies following in the autumn.

For the first time everyone knows the part that they have to play and the chances are better than a week ago that it will all turn out alright on the night.

Belfast journalist quizzed over police allegations

By Our Belfast Correspondent

DETECTIVES questioned a Belfast journalist yesterday about allegations that a secret organisation committed to eradicating Republican terrorism had been set up within the ranks of the Royal Ulster Constabulary, the Northern Ireland police.

The Irish News, a Belfast morning newspaper, said a member of the group, which was called the Inner Circle, was interviewed by its deputy editor, Mr Terry McLaughlin.

The newspaper said that Mr McLaughlin had been shown documents on 233 Republican suspects by the contact. Mr McLaughlin said he had been shown files marked Top Secret containing detailed information on the suspects.

The RUC said the matter was under investigation. It will almost certainly fall under the inquiry being undertaken by Mr John Stevens, Deputy Chief Constable of Cambridgeshire, into allegations that classified documents have been leaked to loyalist paramilitary organisations in Northern Ireland.

The newspaper reported that the group of serving and former RUC members had been set up after the signing of the 1985 Anglo-Irish agreement and that it was committed to bringing down the accord. The accord gives the republic of Ireland limited influence in the affairs of the province.

Mr Peter Robinson, deputy leader of the Democratic Unionist Party, said while many RUC officers disagreed with security policy it did not mean they had set up their own organisation.

Appraisal plan for teachers to be shelved

THE Government yesterday shelved plans to appraise the performance of all 400,000 teachers in England and Wales, blaming its surprise decision on worries that teachers are in danger of becoming over-burdened by its educational reform programme, writes David Thomas.

The move was condemned by Mr Doug McAvoy, general secretary of the National Union of Teachers, which fears that individual local authorities may try to introduce individual appraisal schemes without adequate safeguards.

Mr John MacGregor, Education Secretary, had been expected to introduce mandatory regulations under which education authorities would have had to assess the performance of all classroom teachers and headteachers.

But in his first big policy innovation since his appointment in the summer, Mr MacGregor said it was not the right time to introduce such reforms. He told the Secondary Heads Association yesterday: "I am sensitive and sympathetic to your pleas that overstraining goodwill and commitment can endanger the success of the reforms themselves."

King says wrong time for 'grand designs' in Europe

By Robert Mauthner, Diplomatic Correspondent

MR TOM King, Defence Secretary, yesterday warned against the implementation of radical political solutions such as the reunification of Germany in the present unstable state of Eastern Europe.

Mr King said at a news conference after talks in London with Mr Manfred Wörner, Nato Secretary-General, that this was not the time for grand designs but for the steady reduction of East-West tension in Europe through arms control agreements.

Priority must be given to the conclusion and implementation of a conventional arms agreement in Europe, which would take a long time. Ambitious political solutions could only follow this process. It was important that the cohesion of Nato, which had kept the peace in Europe for 40 years, should be maintained at a time of great change in Eastern Europe, Mr King said.

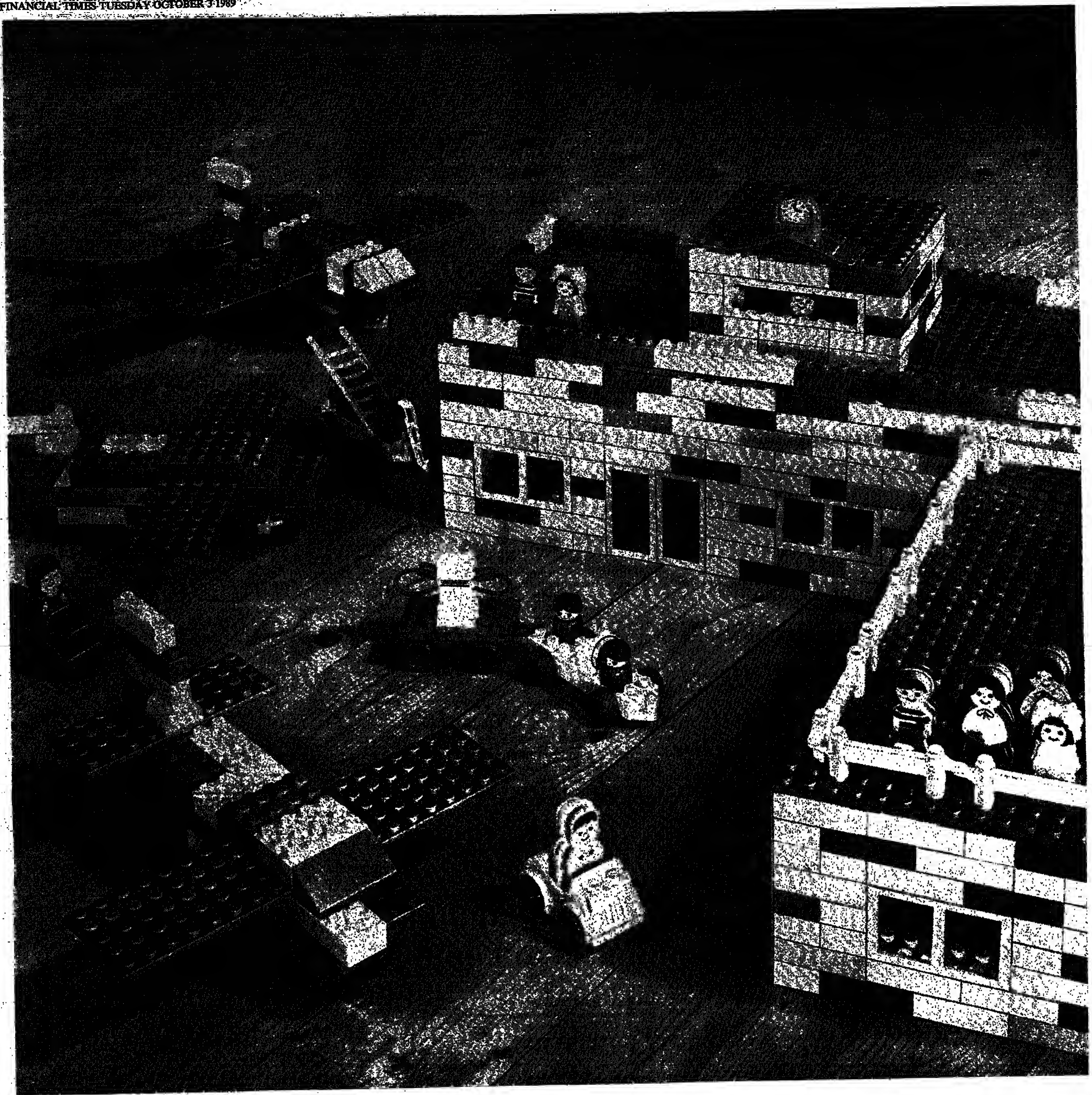
The Defence Secretary's cautious attitude was only partially shared by Mr Wörner, who was accompanied on his visit to London by the full complement of the Nato member states' Permanent Representatives in Brussels.

Mr Wörner agreed with his host that one of Nato's main tasks was to provide "a framework for stability" in Europe and to maintain an effective defensive system based on a mix of nuclear and conventional weapons. He also stressed, however, that it had to be an instrument for change. He had always looked upon Nato as a political as well as a military alliance.

The reform process in the Soviet Union would never have started or taken the direction it did if it had not been for the firmness and success of the Atlantic Alliance. Nato now had a clear role to play in responding to the aspirations of reform-minded East European countries.

Whereas Mr Wörner did not see the reunification of Germany as an imminent development, it had to be remembered that Nato's stated objectives were to overcome both the divisions in Europe and in Germany. There was a very natural desire of the East German people to seek freedom.

The Alliance was interested in change, but such change had to be evolutionary rather than revolutionary.



All of these shares having been sold, this announcement appears as a matter of record only

ENIMONT S.p.A.

(Incorporated with limited liability in the Republic of Italy)

International initial offering of 850,000,000 ordinary shares of Lire 1,000 par value each

GLOBAL CO-ORDINATORS

Consorzio di credito per le opere pubbliche - CREDIOP

IMI - Istituto Mobiliare Italiano

MEDIOBANCA
Banca di Credito Finanziario

REGIONAL SYNDICATES

Italy

Banca Commerciale Italiana
Banco di Roma
Banca Nazionale del Lavoro
Consorzio di credito per le opere pubbliche - CREDIOP

MEDIOBANCA
Banca di Credito Finanziario

Credito Italiano
Istituto Bancario San Paolo di Torino
Cassa di Risparmio delle Provincie Lombarde
Sige S.p.A.

Banco di Napoli
Cassa di Risparmio di Roma

Monte dei Paschi di Siena

Banca Popolare di Novara
Nuovo Banco Ambrosiano

Credito Romagnolo
Banco di Sicilia
Banco di Santo Spirito
Credito Varesino
Istituto Centrale di Banche e Banchieri
Banca Credito Agrario Bresciano
Banca Mercantile Italiana
Banca Popolare di Pordenone
Banca Toscana
Cassa di Risparmio di Parma
Banca Brignone
Banca C. Steinhauslin & C.
Banca Sella
Credito Commerciale

Banca Nazionale dell'Agricoltura
Centrobanca
Cassa di Risparmio di Torino
Efibanca
Banca Internazionale Lombarda
Banca del Friuli
Banca Popolare di Bergamo
Banca Popolare di Verona
Banco di Chiavari e della Riviera Ligure
Credito Emiliano
Banca Popolare di Asolo e Montebelluna
Banca di Legnano
Banco Lariano
Credito Lombardo

Banca Popolare Commercio e Industria
Banca d'America e d'Italia
Credito Bergamasco
Istituto Bancario Italiano
Banca Agricola Mantovana
Banca di Trento e Bolzano
Banca Popolare di Lecco
Banca S. Paolo di Brescia
Banco S. Geminiano e S. Prospero
Interbanca
Banca Antoniana di Padova e Trieste
Banca Popolare di Lodi
Cassa di Risparmio di Piacenza e Vigevano
Credito Valtellinese

Rasfin
Promotio
Eptaconsors
Finanziaria Indosuez
C.I.MO.
Pirelli & C.
Akros
Compagnia Finanziaria Ligure-Piemontese
Allfin

Credipar
Bipiemme Investimenti
Ersel
Gaic
Finnat
S.I.F.I.
Fidis - Finanziaria di Sviluppo
In Capital

Pasfin
Arca Merchant ABK
Euromobiliare
Sviluppo Finanziaria
La Centrale
Sovardino
Gemina
Sofipa
P.E.F.

United Kingdom

S.G. Warburg Securities

Kleinwort Benson Limited

N M Rothschild & Sons Limited

Barclays De Zoete Wedd Limited
Hoare Govett Corporate Finance Limited

James Capel & Co.

County NatWest Limited
Lazard Brothers & Co., Limited

Federal Republic of Germany

Deutsche Bank Aktiengesellschaft

Dresdner Bank Aktiengesellschaft

Commerzbank Aktiengesellschaft

Bayerische Vereinsbank Aktiengesellschaft
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

BHF - Bank

DG BANK Deutsche Genossenschaftsbank
Bayerische Landesbank Girozentrale

Switzerland

Swiss Bank Corporation
Investment Banking

Credit Suisse First Boston Limited

UBS Phillips & Drew Securities Limited

BSI - Banca della Svizzera Italiana
Banca del Gottardo
HandelsBank NatWest Limited
Lombard Odier International Underwriters S.A.
Swiss Cantobank Securities Limited

Bank Julius Baer & Co. A.G.
Compagnie de Banque et d'Investissements, CBI
Hentsch et Cie
Pictet International Ltd.
Swiss Volksbank

Bank J. Vontobel & Co. A.G.
Darier & Cie.
Leu Securities Limited
Sarasin International Securities Limited
S.G. Warburg Soditic (Jersey) Ltd.

France

Paribas Capital Markets Group

Crédit Lyonnais Securities

Banque Indosuez
Société Générale
Compagnie Monégasque de Banque

BNP Capital Markets Limited
Banque de Gestion Privée-SIB
Lazard Frères et Cie

Crédit Commercial de France
Banque Demachy & Associés
Rothschild et Cie. Banque

Benelux

Amsterdam-Rotterdam Bank N.V.

Generale Bank

Algemene Bank Nederland N.V.
Kredietbank International Group

Bank Brussel Lambert N.V.
Nederlandsche Middenstandsbank nv

Banque Générale du Luxembourg S.A.
Pierson, Heldring & Pierson N.V.

Rest of the World

Morgan Stanley International

Goldman Sachs International Limited

Daiwa Europe Limited

Kidder, Peabody International Limited
Prudential-Bache Securities (U.K.) Inc.

Nomura International

Banco Santander de Negocios
Gulf International Bank B.S.C.
Svenska Handelsbanken Group

Creditanstalt-Bankverein
Jardine Fleming Securities Limited

Enskilda Securities
RBC Dominion Securities International
JB Were & Son

ADVISER TO THE COMPANY
Morgan Stanley International

CO-ADVISER TO THE COMPANY
Goldman Sachs International Limited

September 1989

Inland Revenue investigation

There can be trouble in store when the taxman cometh

By Charles Batchelor

Spare a moment's sympathy for one businessman who ran into difficultiss with the taxman. The first sign of trouble came with a letter from the Inland Revenue to say it was investigating his company's affairs. Three weeks later a team of investigators from Customs & Excise (with responsibility for VAT) turned up with a warrant and carried off all his papers in a Transit van.

Usually the Revenue and "duty men" work together but in this instance the liaison broke down and both hit the businessman from different directions.

As it turned out the authorities' suspicions were correct. The businessman had been overstating his capital spending to gain extra tax allowances. The outcome was a £1.5m bill to cover back tax, interest payments and the penalty surcharge.

This was just one investigation among the 60,000 a year which lead to the taxpayer coming to a settlement with the revenue. Cases range from relatively minor instances where earnings have been understated or expenses inflated by modest amounts to more serious frauds involving forged invoices, false accounting and conspiracy.

Staffing problems at the Revenue have meant that the number of investigations has fallen from a peak of more than 70,000 in the mid-1980s to 61,500 in 1987-88. But the amounts of reclaimed tax and penalties have continued to rise sharply. The total yield from investigation work rose to £877m in 1987-88 from £399m in 1983-84.

Even if the businessman ultimately persuades the taxman that he has done no wrong he may face gruelling months or even years of investigation.

"He is pitched into a period of complete and utter uncertainty," says Ken Duxbury, head of the tax investigations team at accountants Ernst & Young. Duxbury is a former deputy head of the Revenue's Enquiry Branch, which handles the most serious cases.

"The businessman does not know what is going to happen, how long it will take or what it will cost. He can't make any business decisions because he doesn't know if he will have the money." It is the smaller, privately-owned business which is more likely to get into trouble with the taxman.

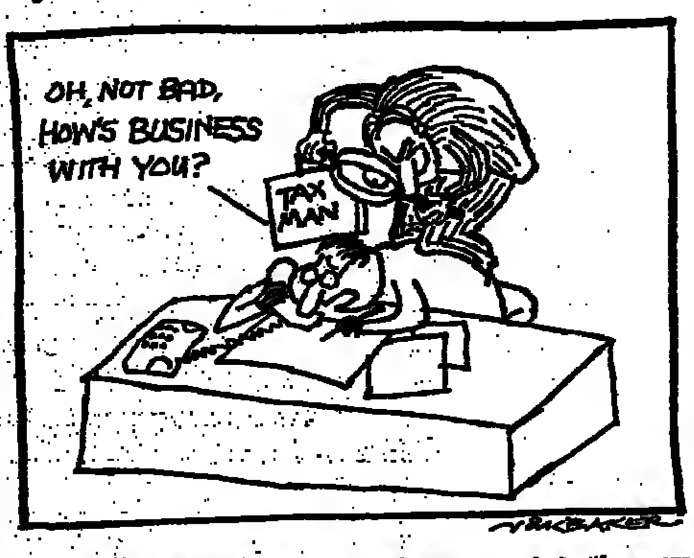
"In a big organisation there is a structure," says Duxbury. "People come in, do their job, get paid and go home. In the private sector there is an immediate personal benefit to the proprietor of the business if he carries out fraud."

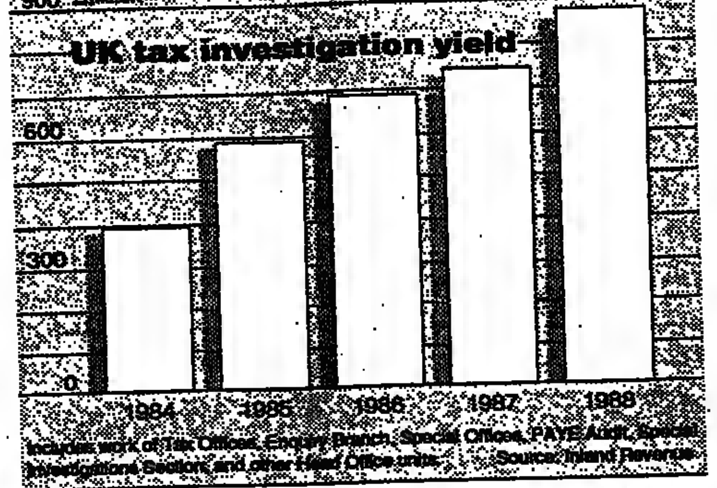
Equally important, the smaller, fast-growing business does not have the resources to manage its affairs as well. "The problem is to find the time to comply with all the tax and VAT requirements while at the same time building the business and raising finance," says Martyn Bridges, in charge of the tax investigations team at accountants Spicer & Oppenheim.

Businessmen get into trouble with the taxman for reasons which range from greed to incompetence. Somewhere between these two extremes come businesspeople who fiddle the books when their business is under intense financial pressure in the early stages.

As the business grows, however, these people often want to put the record straight. They may be frightened that their past will catch up with them or be planning for a public flotation which will require their books to be "clean".

"It may be a husband and wife who can control every aspect of the business in the early stages," says Frank Govan, senior tax consultant at accountants Binder Hamlyn. "But then they wake up to find they are running a business with three divisions. They need the certainty that others are not doing to them what they were doing to the taxman in the early stages."





Includes work of Tax Offices, Enquiry Branch, Special Offices, PAYE Audit, Special Investigations Sections and other Head Office units. Source: Inland Revenue

The way the Revenue tracks down wrong-doers has changed in recent years. From looking at every tax return the taxman has gone to selecting a small percentage of suspicious cases. He or she expects to look in detail at 2-3 per cent of the tax returns of self-employed people and at 1-2 per cent of company returns.

The inspector's suspicions may be triggered by a level of profits lower than those reported by similar businesses in the area; by a businessman who takes an amount out of the business which is clearly not enough to live on; or by unusually high business expenses.

Once the taxman begins his investigation he has far-reaching powers to obtain information from the taxpayer and from third parties such as banks. He may also apply to a judge for a warrant to search premises. In fact, says the Revenue, in 99 per cent of cases, taxpayers provide the information on request and only a handful of search warrants are sought each year.

The more straightforward investigations will be carried out by inspectors from the taxpayer's tax district. Serious cases will be passed on to or started by one of the specialist teams which have been set up in recent years: the PAYE Audit Group; the Special Office which investigates certain industries such as the rag trade; and the Enquiry Branch.

The Revenue will want the back tax, interest on the tax and may impose a penalty of up to 100 per cent of the unpaid tax. In practice the penalty will be lower depending on the seriousness of the offence and the extent to which the taxpayer co-operates.

What should the businessman do if the Revenue begins an investigation?

"Get specialist help," is the advice of the big accountants. Not all of the large accountancy firms have specialist tax teams but the small local accountant is unlikely to have the resources or the experience to handle a lengthy investigation.

Defending a Revenue investigation is likely to be expensive. Frank Govan estimates the cost in professional fees of an Enquiry Branch investigation at £100,000 — on top of the minimum settlement of £250,000 which Enquiry Branch investigations can be expected to lead to.

"Take advice at the beginning," says Bridges. "Some clients try to deal with the Revenue without involving their financial advisers and they get advice too late. If the client tries to brazen it out he can find himself in really deep water."

Calling in professional advice may appear expensive but it can cut the time taken over the investigation, says Ken Duxbury. The accountants' report into the taxpayer's affairs may take six months to prepare and only then will negotiations start with the Revenue. If the whole thing can be finished within a year instead of two or three the businessman can get on with his affairs more quickly.

With rare exceptions, the Revenue does not attempt to put the company out of business. It is primarily interested in getting the unpaid tax. But businesses have been hobbled in their growth by lengthy investigations.

What if the taxman gets it wrong? Duxbury says it is very rare for an investigation to start into an innocent taxpayer's affairs. Tony Miller, tax committee chairman for the National Federation of Self Employed and Small Businesses and a tax investigations consultant, disagrees.

"The small businessman is easy meat for the tax inspector," says Miller. "He doesn't have the financial resources or the time to stand up to the Inland Revenue.

"Far too often the small businessman agrees to pay up because that is cheaper than going to appeal or paying an accountant to produce evidence that the tax demand is excessive. I have no doubt the inspectors play on that."

The National Federation has saved its members £4m in tax and VAT claims over the past five years under its legal fees insurance scheme.

Miller believes that small businesses could save millions more if they had the resources to fight unjustified Revenue claims.

"The normal rules don't apply," he says. "You are guilty by accusation and it is up to you to prove that you are not guilty. That is not always easy."

Taxpayers can appeal against assessments to a panel of Tax Commissioners and ultimately to the courts. But this can add to the costs and the delay.

The Revenue, and the rules by which it operates, have become much tougher over the years. "The inspector would sit in his office and write polite letters," recalls Govan, who was a tax inspector in the 1960s. "In my day it was unthinkable to go to the business premises and look at their records. Nowadays people expect that to happen. The Revenue is more realistic about how businesses work."

Recent Finance Acts have seen the introduction of a whole range of recommendations made in 1983 and 1984 by the Keith Committee which was set up to look at the enforcement powers of the Revenue and Customs.

"The whole regime has tightened up dramatically over the past few years," says Bridges. Formerly, when the Revenue suspected negligence it had to seek special permission to dig back more than six years into a taxpayer's past. In the 1989 Finance Act it was given the powers to go back 20 years.

Taxation in Britain is, in the view of many accountants, moving towards the US system, under which the individual works out his own tax liability. This places a heavier burden on the taxpayer to get it right and raises the prospect of even tougher penalties if he gets it wrong.

Many growing businesses already have problems coping with existing tax legislation. They will have to make an even greater effort in future if they want to avoid the taxman's attentions.

How to get a better deal from the bank

By Charles Batchelor

How much is it costing you to borrow money from your bank? Two per cent over base rate? Three per cent? What would you say if you discovered you were paying 15 per cent over base — on top of the commitment fee you had to pay for the loan facility?

Since they set up as consultants three years ago, Colin Moor and Ken Pestell have ceased to be surprised at the poor deal some small business customers get from their banks. Taurus Financial Services* started out with the aim of helping small businesses raise finance but soon switched to helping them reduce their bank charges.

It was while looking through the accounting records of an early client, a firm of solicitors, that the two men, both former managers with Barclays Bank, decided to concentrate on advice rather than on raising finance. They were able to save the solicitor £50,000 a year in bank charges by helping him renegotiate his banking arrangements.

"We are not trying to kick the banks on the shins," says Moor. "We just want to regularise an irregular situation. We work on the assumption when we go in that everything in the relationship is all right."

Their work for their clients has shown that:

● Banks frequently make errors in dealing with their customers. One bank manager was so embarrassed at the large number of mistakes made with one client's account that he agreed to pay Taurus's fee for his customer.

● Staff in bank branches do not always adhere to the guidelines laid down by head office or suggest to customers that certain commission rates are fixed at head office when they are, in fact, negotiable.

A solicitor with £600,000 on deposit was paid interest net of tax instead of gross and was getting a rate of five points under base rate. Two branches of the bank contacted by Taurus said interest should be paid at 1 per cent under base. Head office said the rate was at the manager's discretion. The solicitor finally negotiated a rate of 2 points under base.

● Banks frequently appear to take no responsibility for recommending that a customer change the basis of an agreement even if changes in interest rates or other events have made a different arrangement more attractive to the client.

● Some bank managers seem prepared to charge high rates of interest or high commissions on the apparent assumption that the client will not demur or go elsewhere.

● Offers of free banking are not always what they seem if the bank subsequently makes high charges.

Businessmen are frequently too busy to check the basis of their banking arrangements or else do not understand the terms they have agreed with their manager. Some are afraid of challenging their bank manager, says Pestell.

Moor and Pestell say they know the characteristics of the main UK banks, their advantages and disadvantages, so they have a good idea of where to look for areas of savings in their clients' accounts. They start by checking the letters of agreement from the bank manager setting out terms and commission rates. "It is amazing how often things go wrong," says Moor. "No-one ever checks if an agreement is being kept to and errors can be made."

Moor and Pestell say one of their biggest problems is persuading people that large savings are possible. One solicitor said he was happy for Taurus to check his accounts because he only wanted confirmation that he had negotiated a good deal with his bank. "By 3.30 pm we had saved him £15,000 a year," comments Moor.

The two men charge £500 a day for their services or 15 per cent of any saving made, whichever is the greater. Sometimes they can complete their investigation within one day but with more complex cases they may come back for a further one to two days.

"We don't want people to row with their bank manager," says Moor. "We want them to be able to discuss things on the basis of knowledge. If you understand your bank manager you will get a better deal."

*Taurus Financial Services, 16 Broadfields, Goffs Oak, Waltham Cross, Hertfordshire EN7 5JU. Tel 070787 4137.

FOR SALE
The Business and Assets of
DENTON WHARF LIMITED
(In Administrative Receivership)

This company is part of the Tudor Grange Group of companies. It is a small operating port with associated warehousing in the Gravesend area, and includes a public house.

It has potential for comprehensive redevelopment and for change of use.

- 15 acre freehold site.
- Operational dock facility.
- Jetty structures of some 2 acres.
- Berthing for 3 ships.
- Working cranage facilities.
- License to a public house with good local custom.
- Land suitable for open storage/further redevelopment.

For further information contact the Joint Administrative Receiver, Mr A. R. Houghton.

Touche Ross

55/57 High Holborn, London WC1V 6DX. Tel: 01-405 8799. Fax: 01-831 2628. Tlx: 261296 TR CHAN.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

LEONARD CURTIS

MANUFACTURER OF ROOM MOULDINGS
GWENT, SOUTH WALES

Leonard Curtis invite offers for the business and assets of a newly equipped factory manufacturing a range of internal Room Mouldings from a newly introduced M.D.F. material. Leasehold premises of 20,000 square feet in Gwent, South Wales, have recently been commissioned and fully equipped at a cost in excess of £350,000. Stock, work in progress and design information is available. The factory is fully operational.

Applications for further details should be made in writing to:
Leonard Curtis & Co.,
PO Box 553,
30 Eastbourne Terrace,
London W2 6LF. Fax: 01-723 6059

Ref: SP/KPB/4

OLD FASHION JEWELLERY BUSINESS
FOR SALE
IN BERWICK STREET OF WEST END, LONDON
(OFF OXFORD STREET)
Shop and basement (approx 2,000 Sq Ft)
Turnover upto £1,000,000
Please contact
Subhash Thakrar, Partner
Stoidstone Franks & Co, Chartered Accountants,
26-34 Old Street, London EC1V 9HL. Tel 01-250 3300

For Sale

Small High Value D.C. Stabilised power supply manufacturer. Very profitable. Home counties. Owner retiring.

Write Box H5206, Financial Times, One Southwark Bridge, London SE1 9HL.

WHOLESALE CASH & CARRY BUSINESS FOR SALE BIRMINGHAM

- Established business
- Valuable Freehold site (28,000 sq.ft.)
- Near City Centre/Inner Ring Road
- Good Car Parking

ROBSON RHODES

For further details contact:
Stuart K. Jones, Robson Rhodes
Centre City Tower, 7 Hill Street, Birmingham B5 4UU
Telephone: 021-643 5494. Fax: 021-643 7738

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

BREAKFIELD LIMITED

The business and assets of this manufacturer of Childrens' outer clothing are offered for sale. The company has a small order book but offers considerable scope for expansion in 14,700 sq. ft. leasehold premises. Other features are:

- Skilled workforce of nearly 50 employees;
- Excellent transport links;
- Extensive machinery.

For a brochure or further information, please contact Peter Bentley or the Joint Administrative Receivers, David Bird and Robert Ellis.

Touche Ross

Queen Anne House, 69/71 Queen Square, Bristol BS1 4JP.
Tel: (0272) 211622. Fax: (0272) 292801.

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Machine Tool Manufacturer

KEARNS-RICHARDS LIMITED
ALTRINCHAM

The business and assets of the machine tool and subcontract engineering division of the above company are offered for sale by the Joint Administrative Receivers.

Principal assets include:

- Prime customer and distributor base in the U.K. and overseas
- Excellent plant both manual and CNC including horizontal boring machines, planomills etc.
- Good range of internationally accepted products including:
  - Horizontal borers
  - Vertical turning lathes
  - Portal machining centres
  - Special purpose machine tools
- Skilled labour force.
- Freehold site of approximately 4 acres with 100,000 sq.ft. of workshop and offices.
- Turnover approximately £5,500,000 p.a.

For further information please contact
Joint Administrative Receivers: John Warren or Scott Martin, Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW.
Tel: 061-832 5784. Fax: 061-834 7117.

Ernst & Young

Engineering Business – Potters Bar
NL Electrical Limited

The Business and assets of this established Ministry of Defence supplier are available for sale as a result of receivership:

- Order book approximately £3.4 million.
- Turnover £2.8 million.
- Manufacture, assembly and supply of components to the MoD.
- Freehold property in Potter Bar, close to M25/A1.
- AQAP 1 and AQAP 2 MoD approval.
- Skilled workforce.

Enquiries to the Joint Receiver: DM Ghosh FCA, Price Waterhouse, 10 Bricket Road, St. Albans AL1 3JX. Telephone: 0727 44155 Telefax: 0727 45039.

Price Waterhouse

CHESHAM.
BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help.

So if you're thinking of selling your business, contact our Managing Director to arrange a confidential discussion.

CHESHAM AMALGAMATIONS
The first name in merger broking.

Chesham House, 2 Bentinck Street, London W1M 6JX.
Telephone: 01-935 2748

FIMBRA

SELECT RESIDENTIAL DEVELOPMENT
South Wales

The Joint Administrative Receivers D. Davies and N.R. Lyle invite Tenders from NHBC Registered Builders to complete six high quality houses and bungalows situated on an attractive site in Oakdale, Gwent.

These are in varying stages of construction.

For further details or an information package contact: Michael Simpson, Spicer & Oppenheim & Partners, Fitzalan House, Fitzalan Road, Cardiff CF2 1BE. Tel: 0222 461610 ref: MAS/PT.

SPICER & OPPENHEIM & PARTNERS
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Pneumatic Systems (Engineers) Limited

The Joint Administrative Receivers have for sale the business and assets of the above company, which manufactures installations for the production of balloons, rubber gloves and condoms.

Assets include:

- the valuable designs and goodwill, including substantial enquiries;
- long leasehold premises in Sheffield close to the M1;
- fabrication and assembly equipment.

Please contact the Joint Administrative Receivers D J Stokes and C J Hughes at:
Cork Gully
1 East Parade
Sheffield
S1 2ET
Tel: 0742 730403 Ext 299

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

BUSINESS FOR SALE

An opportunity exists to purchase a business based in Sussex specialising in the manufacture of hardwood joinery, kilning and associated services.

- 8.4 acre site
- Turnover £1.5m per annum
- Varied customer base

For further details please contact:
Levy Gee Chartered Accountants,
100 Chalk Farm Road, London NW1 8EH.
Tel No. 01-267 4477 Fax No. 01-267 1028.

LEVY GEE

Industrial Printing Company based in South Wales

An exciting investment opportunity, in whole or in part, in a well established high quality industrial printing company working in metal fabrications and plastics.

- Turnover in excess of £3 million.
- Wide range of high quality products for the automotive, telecommunications and other industries.
- Skilled workforce of over 120 employees.
- Two modern and efficient factories (26,050 sq ft and 23,000 sq ft) plus Class II cleanroom facility.
- Significant growth opportunities.
- BS 5750 Part M/SO N 9002.

For further information please contact: Derek Howell or Roger Hale, Price Waterhouse, Haywood House North, Dumfries Place, Cardiff CF1 4BA.
Telephone: 0222 376255 Telex: 497949
Telecopier: 0222 374124.

Price Waterhouse

Kitchen and Bedroom Furniture Manufacturing, Wholesale and Retail

The Liquidator is inviting offers for the business and assets of

Classic Kitchens (Nottingham) Limited
1) Freehold Property - Derby
2) Leasehold Property - Derby
   - Sutton in Ashfield
3) Stock and Work in Progress
4) Substantial Order Book

Turn over
12 Months ended August 88 £1.5 mil
9 Months ended May 89 £0.9 mil

Contact Philip Lyon or John Harlow
HEWSON LYON AND COMPANY

St. James House
King Edward Court
Nottingham NG1 1EW
Telephone: (0602) 582516
Fax: (0602) 582537
Telex: 378391 SOLVIN G

For Sale
Nursing Agency

- Licensed employment agency for temporary nursing contracts
- Commission turnover in excess of £200,000 p.a.
- Leasehold premises in London, WC1.

For further information contact:
Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.
Tel: 01-242 2124 Ext 319 or 326. Telex: 888604.
Fax: 01-405 2147.

Ernst & Young

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

TELECOM INDUSTRY (LONDON)

- Provides specialised technical services
- Blue Chip customer base
- High growth potential in attractive niche market
- 1988/89 forecast turnover £0.6 million
- Sustainable profit before tax £0.1 million

Potential purchasers please WRITE to Tim Lyle at Acre House, 69/76 Long Acre, London WC2E 9JW

LIVINGSTONE FISHER ASSOCIATES PLC
THE ACQUISITION AND DISPOSAL SPECIALISTS

FIMBRA

Worldwide Manufacturing Ltd
in receivership
Wakefield, West Yorkshire

For sale, business and assets of a specialist printing and souvenir manufacturing company.

Leasehold premises, approximately 30,000 sq. ft., plant and machinery.

For further details, please contact
Edward Klempka on (0532) 455166,
Fax (0532) 434567.

Deloitte Haskins+Sells

FOR SALE
MEN'S KNITWEAR & CASUALWEAR IMPORTER/WHOLESALE

Owing to a reorganisation of commitments the Goodwill, trading name and customer base of this well-known Men's Knitwear & Casualwear company.

This well established company has an excellent reputation and has been trading for twenty-eight years. The customer base is sound with many blue chip multiple stores. The potential turnover arising therefrom amounts to some £2m.

Interested parties (names of principals must be disclosed) should apply in writing to:

Martin F Drake FCA,

BUSINESS to BUSINESS SALES & ACQUISITIONS LTD.
Fiveways House, Willian Road, Willian, Letchworth, Herts SG6 2AA.
(Member of FIMBRA)

Miller

CORNWALL
GOLF COURSE AND COUNTRY CLUB DEVP. SITE

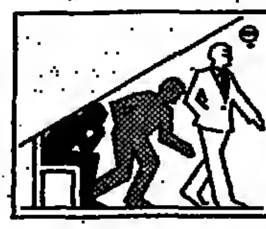
Magnificent coastal setting with spectacular views. P/P for 18-hole golf course and country club in very popular tourism area. All enquiries to :-

---

WORKWEAR MANUFACTURING

COMPANY FOR SALE:
Profitable, family owned, 8000 sq ft. long leasehold (freehold available). 3 hours from London. 65 employees - non-unionised 5000 Garments per week. T/O projected to £2.0M at 8% nett. Management available.

Write Box H5214, Financial Times, One Southwark Bridge, London SE1 9HL.



Over 3,000 innovations/technologies are submitted to us annually, which we categorize, patent and present to companies for exclusive licence.

If you are looking for new products to manufacture and/or market then telephone or write for further information.

Inventions to Industry
Foreman House, George Street, Aylesbury, Bucks HP20 2HU. England
Telephone: (0296) 84141 Facsimile: (0296) 433190 Telex: 837500

Participant Sought

in 18 hole Cheshire Golf Course and Clubhouse development with leisure facilities. Interested parties should write to:-

Box H5203, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

Specialist Sheet Metal Fabricator

Supplier of high performance cabinets and frames for the communications and data transmission industry seeks joint venture partner/acquirer to support expansion programme. Very well equipped.
Very strong order book.
Current turnover in excess of £3 million.

For further details contact:
City Venture Brokers Ltd
124 Baker Street, London W1
Tel: 01-487 5695

PRINT GROUP FOR SALE

Established profitable London print group for sale offering freehold factory. Turnover in excess of £4,000,000 with a sound nucleus of Blue Chip clientele.

For further information write
Box H5226, Financial Times,
One Southwark Bridge, London SE1 9HL

FOR SALE

Due to Company re-organisation
Three retail outlets for the sale of bathrooms and ceramic tiles in busy and prosperous areas to the North and West of London. Good lease and magnificently-appointed showrooms.
For sale as a Group or as individual units.

For further information please apply to:
Duncan Sheard Glass, Chartered Accountants, 43 Castle Street, Liverpool L2 9TL. Telephone: 051 236 8813 FAX: 051 236 1430

FOR SALE

Long Established, West Midland based Metal Forming Machinery Manufacturer. Internationally recognised name:
Strong Home/Export Customer Base
Extensive Spares Business
Trading Profitability:

FOR FURTHER DETAILS WRITE TO BOX H5231, Financial Times, One Southwark Bridge, London SE1 9HL.

SHEET METAL COMPANY FOR SALE WEST OF SCOTLAND

Turnover £600,000: 12,000 Sq Ft Freehold premises: plus 6 acres land for development: CNC plant including turret press and press brakes: good order book: annual contracts: Blue Chip existing clients: Tremendous potential in the computer industry: skilled workforce: BS5750 applied for: may consider sales orientated equity partner with own sheet metal products.

CALL K. MARTIN ON 0292 316364

PREMIER CRU VINEYARD

117 hectares of which 73 are Premier Cru. Current stocks are valued at approximately £5.4 million Premier Cru and £500,000 others. Price on application.
For further details telephone
Property Brokers (International) Ltd.
(0904) 21922 or FAX (0904) 21986

B P & Co
Licensed Insolvency Practitioners

CONTRACTING COMPANY

Public Works and Civil Engineering. Sales £1.5 Million. Very Profitable. Located North West. Freehold Premises. Ongoing Management. Owner Retiring.

Write Box H5218, Financial Times, One Southwark Bridge, London SE1 9HL.

Huntley & Partners
Cornerstone Commercial
Specialist Business Agents

UNIQUE OPPORTUNITY SEAFRONT AMUSEMENT ARCADE PRIME POSTN. Sought after S. Devon resort. Glitzy Hi-Tech premises completely refitted, 3 bedrm. luxury flat over, approx. 100 latest machines (included) T/o. approx. £200,000 p.a. High profits. F/HOLD. OFFER £550,000 SAV M1038

Your business is our business

SUSSEX TOWN

High quality Delicatessen and Confectioners business for sale as going concern to include freehold shop premises and living accommodation over. Annual turnover in excess of £170,000. Offers invited in region of £295,000 for goodwill, equipment and freehold with s.a.v.

Full particulars from owners Sole Agents, Taylor Tester, 3 King Street, East Grinstead, Sussex. RH19 3DL Tel: (0342) 324478

CONTRACT FURNISHING
BORDERS EAST ANGLIA - HOME COUNTIES

Soundly based business in UK's fastest growing region. On target to exceed £200,000 sales this year - high margins. First class Showroom and Offices. FREEHOLD £250,000 - stock nominal. Details Everett Masson & Furby Limited, 24 Milton Road, Cambridge (0223) 65673 REF: M22992.

BUSINESSES FOR SALE

HOSIERY MANUFACTURER FOR SALE

Profitable £3½ million turnover Company with strong product range. Wide customer base UK and Europe with expansion prospects.

Write Box H5224, Financial Times, One Southwark Bridge, London SE1 9HL.

ARCHITECTURAL AND GENERAL IRONMONGERY

The Shareholders of this North of England based wholesaling Company (value in excess of £1.5M) may be prepared to dispose of their majority shareholding or will give consideration to an amalgamation with a larger Group within the trade. The proposition may be of interest to a Manufacturing Company. All replies will be dealt with in the strictest of confidence.

Interested parties (Principals only) should write to Box H5227, Financial Times, One Southwark Bridge, London SE1 9HL.

NURSING HOME GROUP

128 beds in four closely-integrated buildings. Well managed. City centre location - £2.2m.

Exciting opportunity for development available at a prime 2.1 acre site close to city centre with planning consent for a further 32 beds in magnificent mansion house and for 42 one/two bedroomed flats which could be sold or used as Nursing Home annexe, or sheltered accommodation whole in beautiful grounds with natural boundary suitable for village-type development - £1.5m.

Write Box H5219, Financial Times, One Southwark Bridge, London SE1 9HL

NURSING HOME SITE FOR SALE

60 Bed NURSING HOME Site in Yorkshire available for purchase, offers around £250,000. Finance & development package available. For further details write or telephone Mike Corden, in strictest confidence:

Michael Corden Associates, Sitwell Villa, Moorgate, Rotherham, S60 2UE. Tel: 0709 820143

Fully Licenced Restaurant/Function Rooms

West Yorkshire, Weekly turnover approaching $20,000 - SHOWING EXCELLENT AUDITED PROFITS. First class trading position. SUBSTANTIAL DETACHED FREEHOLD RESTAURANT / FUNCTION ROOMS WITH LUXURY RESIDENCE. Business & Property $750,000. Quote ref. R262

Ernest Wilson
The Business Specialist
Tel: Bradford (0274) 390486/721580

General Engineering Sheet Metal Fabrication West Yorkshire

Annual turnover approaching $480,000 - Audited Gross Profit Margin approx. 50% TURNOVER RAPIDLY INCREASING. Expensive modern machinery. FULL ORDER BOOK. Substantial freehold premises. BUSINESS & PROPERTY £1 million. GENUINE ENQUIRIES INVITED. Quote Ref. M615

Ernest Wilson
The Business Specialist
Tel Bradford (0274) 390486/721580

EMPLOYMENT AGENCY

Offers are invited for the purchase of an established agency/business.

Essential features:
* South Coast location
* Secretarial based
* Turnover approaching £1m
* Net profits circa 20%

Principals only apply in writing to Box H5177, Financial Times, One Southwark Bridge, London SE1 9HL

RETAIL PHARMACY BUSINESS

Established Northern England Retail Pharmacy business. Turnover in excess of £1M, 80% NHS. Excellent profit record. Price and form of sale to be negotiated. Preliminary offers/enquiries from principals only to be supported with evidence of ability to conclude transactions.

Write Box H5220, Financial Times, One Southwark Bridge, London SE1 9HL.

ENGINEERING CONTRACTOR TO AEROSPACE AND RELATED INDUSTRIES

Suitable for entrepreneur or as an addition to existing business. Low volume high quality high margin work. Small company but work available for substantial expansion.
Quality to M.O.D. and Aerospace approvals. Established 15 years. Owner retiring will assist in maintaining contacts.

Write Box H5215, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

Where 70% of the European tourists go:

Canary Islands: Resort-Beach Club prime location, 20 km white sandy beaches, 39 2-bedroom bungalows, Clubhouse, Bar, Restaurant, Pool, Fitness-Studio, Gymnasium. Majority available for 3.3 Mill. US$ only. Americans and Japanese tourists are coming more and more too.

ohlig + compagnon, Schumannstr. 40, D-6000 Frankfurt 1
Tel.: 004969/74 26 01
Fax: 004969/74 68 45

SCANDINAVIAN FURNITURE

This small company specialises in importing furniture, under sole UK agreements, from several well known Scandinavian manufacturers.
The directors are seeking to sell their controlling interest in this small but attractive company. Further details on application; sale price £90,000.

Write Box H5223, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

Manufacturer and Retailer of Custom made Curtains and Roller Blinds

Based in the North of England this company has an annual turnover in the region of £3.0m, and profits £175k. The company owns valuable Freehold and leasehold sites supported by an efficient manufacturing base.

For further details write to:

Box No. H5222, Financial Times, One Southwark Bridge, London SE1 9HL.

OPENCAST COAL MINING AND EARTHMOVING COMPANY

£10 Million turnover operates nationally substantial coal reserves - Guaranteed sales long term contracts - Central depot.

Principals only are invited to write for details Box H5225, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

FLORIDA USA

Luxury holiday home rental operation including prime freehold properties Gulf Beachfront and close Disney, exclusive guaranteed bookings contract with reputable UK travel agent, management service optional, very lucrative and easily run, ideal opportunity for intending retirees, sale due personal reasons, £285,000.

Write Box H5229, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS FOR SALE

Offers are invited for well established independent Plumbers Merchants in Mid Cheshire, already embarking on expansion program from New purpose built premises. Annual turnover £1 million.

Write to Box H5[illegible], Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

SOUTH COAST ENG. CO. FOR SALE.

Good L.H. Premises. Sub. contract & own lines. Fabrication & Machine shop. Turnover 25K. Price 100K + SAV. Supervisory staff remaining.

Write Box H5209, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

Company in the Federal Republic of Germany installing

SLOT MACHINES

represented all over the country, to be sold by the end of this year. Excellent profitability, absolutely free from debt. Fixed price DM 10 Mio. Only reliable offers with proven capital.

Write Box H5210, Financial Times, One Southwark Bridge, London SE1 9HL.

HIGH TECH TRADING EXPORT CO. FOR SALE

Client list, potential, £½m audited trading and investment loss. No creditors. £50,000 O.N.O.

Write Box H5211, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS FOR SALE

Due to impending retirement of owner, Financial Services company is up for sale in an expanding European Market. Business consists of Insurance and Investments with big endowment mortgage business potential, linked to estate agency business.
Price envisaged: £150,000.

Write Box H5174, Financial Times, One Southwark Bridge, London SE1 9HL

Publication for sale

£70,000 for an established publication in the expanding Yachting and marina market.

For full details please write to Dept MH, 32 St Matthews Road, Worthing, W. Sussex BN11 4AU

FOUR PROFITABLE

CTN/convenience/video outlets in Kent all with living accommodation. Turnover circa £1m. Attractive price for prompt sale.

Box H5216, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

LIFE AND PENSIONS

Small dynamic company, t/o c.£400k. Scotland base but with growing S.E. England client base.

Write Box H5213, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE

High Class Confectionery and Packaging Business. Retailing and Wholesaling of imported confectionery and specialist chocolates Many blue-chip customers.

Write Box H5221, Financial Times, One Southwark Bridge, London SE1 9HL.

REGISTER OF ACCOUNTANCY practices for sale. GRFs from 50k - 200k. Across the U.K. Fully confidential buying and selling service by partnership est. 1979. Write Box H4860, Financial Times, One Southwark Bridge, London SE1 9HL.

DAVID GARRICK

TEXTILE MANUFACTURER

QUALITY HI-TEC PRODUCTS FOR COMMERCIAL & DEFENCE INDUSTRIES

We are retained by an offshore Trust to divest a UK holding company with two trading divisions.
Key characteristics:
* T/O £3.5M with considerable scope
* PBTX £300,000 plus
* Excellent cash flow
* Division A: Distribution to textile trades
* Division B: Design, manufacturing and distribution of Commercial products
* Customers include Automotive, MOD and Industry - All blue chip accounts
* Poised to exploit new market areas

For further information write:
JOHN POLMEAR

DAVID GARRICK
1 de Walden Court
85 New Cavendish Street
London W1M 7RA
Tel: 01-631 0688
FAX: 01-436 4311

SPECIALISTS IN ACQUISITIONS & DIVESTMENTS

Uniline Electronics Limited

In Receivership

Opportunity to acquire the business and assets of Uniline Electronics Limited, approved sub-contractors to the defence, high quality electronics and computer industries.

The company operates from leasehold premises at Congleton, close to the M6 motorway and has a fully equipped workshop and assembly facility. Turnover is in excess of £[illegible] per annum.

The assets available for sale comprise:-
- leasehold premises approximately 4,500 square feet
- plant, machinery and fixtures and fittings
- work in progress
- full order book

For further information please contact the joint administrative receivers at the following address:
John F Powell and Ian N Carruthers
Cork Gully
43 Temple Row
Birmingham
B2 5JT
Telephone: 021 236 9966
Facsimile: 021 200 4040
Telex: 337892

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FOR SALE

Due to lack of successor, one hundred p.c. of the share capital in a Swiss A.G. (since 1935)
A small clothing company located in a modern building on an industrial estate.

* Men's trousers produced under own label
* Flexible production facilities
* 450 sq.m. office/production/storage space
* Low rent
* Long-term lease

Price: intrinsic value plus supplement for lease.
A unique chance for a financially-strong company seriously interested in gaining a foothold in Switzerland.

Write Box F9287, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE CONVEYOR MANUFACTURER

Long established company manufacturing conveyors for bulk and unit-handling and components. Turnover £7m.
Good order book. Skilled workforce.

Write Box F9241, Financial Times, One Southwark Bridge, London SE1 9HL

PLANT HIRE - FOR SALE :

Due to our clients impending retirement we offer for sale a specialist non-mechanical plant hire company operating from depots in the North West of England. Turnover approaching £2m pa; highly profitable.

For further information principals only apply in writing to retained advisors. Write to Box H5233, Financial Times, One Southwark Bridge, London SE1 9HL.

10.5 ACRE SITE. 10 miles S.W. Peterborough, Cambs.

P-p for Storage of Motor Vehicles, Dismantling, Repair. Suit Import Storage, P.D.I. De-wax, etc.
Price fixed at £150,000 per acre. F/hold, Lease Option avail.
Details and site plan - phone LAKEY & CO. 0733-283951

JEWELLERY MANUFACTURER BUSINESS FOR SALE

Established since 1973. Good accounts. With freehold premises if interested.

Write Box H5228, Financial Times, One Southwark Bridge, London SE1 9HL.

HOLIDAYS & TRAVEL

Announcing the opening of the newly refurbished

ASTON COURT HOTEL

Central London location and only a few minutes walk to Olympia and Earls Court exhibition halls.
All rooms have complete ensuite facilities, Satellite TV with teletext, mini bar, direct dial telephone, pressing facilities etc. Lift service to all floors. 'Residents only' bar, conservatory. Single rooms £42.50, Double Rooms £57.50. All prices include full English breakfast and VAT.

Call or write for brochure
ASTON COURT HOTEL
25/27 Matheson Road, Kensington Olympia
London W14 8SN
Tel: 01-602 9954, Fax 01-371 1338,
Telex: 919208 ASTON G.

CLUBS

EVE has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 01-734 0557. 189, Regent St., London.

PERSONAL

PERRY, DOM & HEIDI. Klaus Sprenger apologises for being absent on you 20th Wedding Anniversary. He hopes you had a lovely time & enjoy "Rotate". Love Jessica.

ACCOUNTANCY

The Financial Times proposes to publish this survey on:

28TH NOVEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

WENDY ALEXANDER
on 01-873 3524

or write to her at:

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

BUSINESSES WANTED

COMPUTER BUSINESS REQUIRED

Our client, a successful hardware and solutions vendor, operating in the U.K. and abroad, is interested in acquiring U.K.-based computer companies operating in any of the following areas of specialisation:-

* Mainframe or minicomputer hardware maintenance
* Application software development for commercial, industrial and financial solutions
* Turnkey systems integration of hardware and software, or Value Added Resale
* Provision of database information, or electronic mail systems, or any information services; in printed form, or computer media, or on-line
* Supplier of specialist staff on contract to the computer industry

The target companies could be independent, or could be part of a larger group. They must be prepared to be sold outright or to divest themselves of 51% of their equity. They should be demonstrably fully staffed and professionally managed.

Our client, in turn, has considerable experience in all the above areas with a substantial pool of computer specialists and an enthusiastic management to develop the business dynamically.

Principals only, please contact: Len Hooker

KPMG Peat Marwick McLintock
1 Puddle Dock, London EC4V 3PD Telephone: 01-236 8000
Fax: 01-329 6101
(Authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.)

BUILDING PRODUCTS BUSINESS REQUIRED

Manufacturer of cement, polymer mortars and concretes with high technical profile in the UK and abroad wishes to purchase for cash 100% shareholding in non-contracting UK or European based Private company or subsidiary of Public Company. Products made and sold must be associated with the building trade.

Principals should write in the first instance to:
D Hulel Esq.,
Auerbach Hope, Chartered Accountants,
58/60 Berners Street, London W1P 4JS
ALL REPLIES TREATED IN STRICTEST CONFIDENCE

1992 - PLASTICS ACQUISITIONS AND DIVESTMENTS

If you are thinking of selling your plastics company or perhaps acquiring another, then first consult ETC. They know the plastics industry very well and have extensive experience of acquiring and divesting plastics companies.

ETC operate throughout the Common Market where they have already broken the language/commercial barriers!

contact:
ETC
EUROPEAN TECHNOLOGY CONSULTANTS Ltd.
Joan Muyskenweg 22, 1096 CJ Amsterdam
Telephone: 020-6683126, Telefax: 020-6686189

PLC

seeks, for cash, acquisitions/mergers complementary to it's own specialisations in sales promotion merchandising and the importation of fancy goods, giftware, leisure goods and luggage.
Desired bedmates will have virile management, a sound customer portfolio, a turnover in the £1m to £5m range, but current profitability is not an essential prerequisite.
An in-house packaging facility would be an attractive plus.

Write Box H5172, Financial Times, One Southwark Bridge, London SE1 9HL

CATERING INDUSTRY

Our client wishes to make an acquisition in the contract catering industry or related sector, and would be looking to expand such a business.

All enquiries to:
Elliotts, Chartered Accountants, Suite 4, Maypole House, Maypole Road, East Grinstead, W. Sussex RH19 1HU. Quoting Ref: HLM

WANTED

Established businessmen seek stong asset based organisation. Principals only write
Box H5204, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

PRIVATE INVESTOR

Wishes to buy a furniture-manufacturing or timber technology-related business. Preferably based in North or West Yorkshire or East Lancashire.
T/O 500K +.

Write Box H5217, Financial Times, One Southwark Bridge, London SE1 9HL.

WANTED - BUSINESS DIRECTORIES

Growing business database and directory company interested in company titles or interested in companies involved in publishing from business databases.
All responses will be promptly acknowledged and treated in strictest confidence.

Write Box H5207, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

ICL VARs

Leading UK ICL VAR seeks to acquire/merge with other UK VARs to benefit from joint economies of scale and market coverage. Currently located in London with open mind as to possible partners.

Write Box H5212, Financial Times, One Southwark Bridge, London SE1 9HL

Growing International Group

Seeks to acquire stable, well placed exhibition stand fitting businesses with continuing management participation.

Principals only write to Box H5198 Financial Times, One Southwark Bridge, London SE1 9HL. Strict confidence guaranteed.

COURSES

MBA DEGREES

The Association of MBAs (AMBA) will be holding informal 'Going to Business School' receptions on the evenings of Tuesday 17 October in Leeds, and Tuesday 24 October in London, for prospective MBA students. Over 20 UK and overseas schools will be represented.

Further details form: AMA on 01387 3375

LEGAL NOTICES

SEMES LIMITED

Registered number: 2196836.
Nature of business: Manufacture of machinery for food industry.
Trade classification: 11.
Date of appointment of joint administrative receivers: 20 September 1989.
Name of person appointing the joint administrative receivers: Barclays Bank Plc.
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 240 and 814) of Cork Gully
43 Temple Row
Birmingham B2 5JT

BUSINESS SERVICES

COMPUTERS GUARANTEED NEW &/OR USED IBM/ DEC/PCs/MAC/ Application Software..

We get what you want incredible prices!! 60qty Zenith Amber VGA monitors at $1491 200qty Okliprinters at 1991 All 200vll Services restricted to fellow Computer dealers & major Corporate Users worldwide.
Benefit from our unique status as a VAR cum REMARKETEER for major OEMs.
Fax USA 617 277 1984 (attn: Overseas dept) for details.

BUSINESS SERVICES

Buying or selling a business? We'll cover your risk

When you sell a business or go public you may have to give warranties and indemnities which could render you liable for damages as well as legal expenses, even if you are not at fault.
This liability can be insured under our Warranty and Indemnity Insurance Policy.
For more information contact:

Warranty & Indemnity Insurance
DIRECTORS & OFFICERS LIMITED
Marshall's Court, Marshall's Road, Sutton, Surrey SM1 4DU.
Tel: 01-661 1491 Telex: 8951673 EPISL G
Regional offices: London, Birmingham, Halifax, Glasgow

YOUR OFFICE IN LONDON

BUT NO CAPITAL COSTS!
- Regent Street Address
- Luxury Furnished Offices
- Short or Long Term
- Reception, Secretarial
- WP, Telex, Fax, Etc.

"OUR BUSINESS IS CARING FOR YOURS"
CHESHAM EXECUTIVE CENTRE
Established 25 Years
Call Stuart Freedman
01-439 6288

COMPANIES

* UK & Worldwide
* Ready Made
* Nominee Services
* Searches: Company and Personal
* Status Reports

Free advice & brochure
FALCON BUSINESS SERVICES
Victoria House, 25 Victoria Street, Liverpool L1 6BD
Tel: 051 236 3443 (24 hrs)
Fax: 051 255 1050
Telex: 626179 FALCON G.

LIMITED COMPANIES

UK, International & Isle of Man
EXPRESS COMPANY REGISTRATIONS LIMITED
Express House, 6 Baches Street, London N1 6UB
Telephone 01-253 5323 Fax 01-374 2269

SERVICED OFFICES

S.W. London ideal Heathrow, M3/M4/M25. Fully furnished and serviced
* Registered Office Address
* Communications
* Short-term Licences

Call: Nicola Virgo 01-979 2262

COMPUTER HIRE

From £26 per week
Whether you need to hire for a week, a year, or longer, you'll be glad you found us
RENTAL SYSTEMS LTD
01-330 4816

AVIATION BUSINESS CONSULTANTS

Airport, Airline and Aircraft - Feasibility studies, acquisitions, disposals, management, development, catering and hotels, personnel and marketing.
Century House, Reading St, Tenterden, Kent, England. Tel 023383641
Fax: 023383661 Telex 966159

EXPERIENCED NEGOTIATOR Company Chairman with strong contracts in Corporate/Financial areas throughout Europe. Offers confidential intermediary services in Sale/Acquisitions, interim management, etc. Spanish spoken, references - 0772 862123 Ferguson. Or write Box H5205, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

MORTGAGES

On Commercial & Industrial Properties at prime rates 5/10 years. Interest only. Minimum loan £250,000.
Apply to: HIRSCH
Europe's leading Finance Consultants
HIRSCH INT (Financial Services) LTD
15 Berkeley Street, London W1
Tel: 01-629 5051 Fax 409-0419

FINANCE FOR EXPANSION by factoring. Specialist independent service tailor made for the small business with cash flow problems. County Factors Limited (0202) 680894

SERVICED LONDON OFFICES, in MAYFAIR from £59pm. Full sec/comm support. Co's formed/managed. Phone Mr James 493-1332 or 499-4806.

DIRECT MAIL LISTS & SERVICES 100'S of ready-made lists immediately available. Suppliers to leading UK companies. Free catalogue. Market-scan, Freepost, Chichester, Sussex. Tel 0243 786711

AIRCRAFT FOR SALE

For Sale
British Aerospace 125-700B

Prestigious Jet Aircraft for Sale by Fields as Owners, for immediate delivery. Built 1981, Engines on MSP. Hangared, maintained, crewed by Fields for leading international corporation. Atlantic MNPS (INS and VLF). Paint and interior new in '88. Exceptionally good condition throughout.

Contact: Neil Harrison
Tel: (01) 01-759 7816
Telex: 885746 FASLAPC
Fax: (01) 01-759 7305
Fields
Field Aircraft Services (Heathrow) Ltd.

MOTOR CAR ADVERTISING appears every Saturday in the WEEKEND FT.

Telephone RICHARD HUGGINS 01-873 3236/ 01-407 5635 or
JONATHAN STANTON 01-873 3643/01-407 5739

FINANCIAL TIMES TECHNOLOGY MARKET

Matching know-how to know-who

Does your technology have a market?

The Financial Times Technology Market appears every Wednesday as a half page of advertising for buyers and sellers of new technology.

This new service is a natural evolution of our Technology Page editorial coverage which has been established for over 20 years.

If you need a market for your new technology or new technology for your market, the Technology Market provides you with the ideal advertising opportunity.

For further information and a copy of our Technology Market brochure, please contact:

Antony Carbonari on 01-873 3412 or Michael Rowlands on 01-873 3349

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Number One Southwark Bridge, London SE1 9HL
Telephone: 01-873 3000

TECHNOLOGY

A powerful hub full of energy

Clive Cookson reviews the latest methods of storing large amounts of electricity

Technologies for storing large amounts of energy could transform the electricity supply industry over the next two decades.

The only method proven so far is "pumped hydro" – using off-peak power to pump water to a reservoir and then releasing the water when demand is at a peak, so it can flow down through generating turbines to a lower reservoir. But two other processes, using compressed air and batteries, should provide cheaper and more flexible storage options. A more distant prospect is to store energy in a superconducting electromagnetic coil.

The Electric Power Research Institute (EPRI), the co-operative research organisation of the US electric utilities, is funding a large R&D programme on energy storage. EPRI officials have a vision of the industry developing a "hub and spoke" structure, similar to the one that has evolved in US air transport during the past decade of deregulation.

"A storage plant could serve as the hub of a utility, just as certain airports serve as hubs for airlines," says Jim Birk, director of EPRI's storage and renewable department. A central hub airport acts as a short-term storage facility for passengers flying in on one spoke and out on another.

In a similar way, Birk says, energy storage hubs will enable utilities to bring in electricity from a variety of generating sources and then transmit the electricity to their customers when they need it.

At present the US has 37 pumped storage plants, which account for 3 per cent of total generating capacity. EPRI says that this should be built up to 10 per cent of total capacity by adding new hubs of various sizes across the country.

Likewise in the UK, the planned privatisation and break-up of the electricity supply industry may increase the storage requirement. Since 1983, the Central Electricity Generating Board has operated the world's largest energy storage hub, the 1,800MW pumped hydro station at Dinorwig in Snowdonia, North Wales. Every night, 6.7m cubic metres of water are pumped 500 metres up from Dinorwig's lower lake to the upper reservoir. Several times a day when demand for electricity suddenly increases, the water gushes back down man-made tunnels through the mountain, generating enough electricity to supply the whole of Wales.

The CEGB also runs a 360MW pumped hydro station at Ffestiniog. These two storage plants, amounting to about 4 per cent of total CEGB generating capacity, will be transferred to the proposed National Grid company after privatisation. Although CEGB says that Dinorwig and Ffestiniog will provide sufficient large-scale storage until the end of the century, some people in the industry say the 12 area distribution companies will want to build smaller storage systems of their own.

These hubs would help the distribution companies juggle the bulk supplies bought from the two large generating companies, National Power and Power Gen, and from smaller independent generators. As Birk says, "an energy storage system puts a utility in a position to buy electricity when it's cheapest instead of when customers need it."

Any electric ntility must maintain some excess capacity, ready to produce more power within seconds when the demand suddenly increases. The traditional way to maintain this reserve is to keep coal, oil or gas-fired plants ticking over. But this is costly and inefficient – and even gas turbines cannot always respond to a sudden surge in demand quickly enough to prevent consumers suffering a fluctuation in the frequency and voltage of their power supply.

Pumped hydro stations are becoming a popular alternative to stand-by thermal plant. The CEGB says it started Dinorwig's six generating units a total of 3,700 times last year to meet sudden surges in demand.

The trouble with pumped hydro is that plants need to be large – at least 1,000MW – to operate economically. A plant that size is likely to cost $1bn and take 10 years to plan and build. In addition, there is a shortage of environmentally acceptable sites with suitably sized reservoirs at the top and bottom of a mountain.

The electricity industry is becoming interested in another alternative: compressed air energy storage (CAES). A CAES plant uses off-peak electricity to pump air into an underground cavern, either natural or excavated from a rock or salt formation. When electricity is needed the air is withdrawn, heated with gas or oil and run through expansion turbines to generate electricity.

The pioneering CAES plant, a 290MW unit at Huntorf, West Germany, has been running successfully since 1978. It has a storage capacity of four hours, using two salt caverns. The Alabama Electric Co-operative is building the first US CAES plant in a 500,000 cu m cavern mined from a salt dome. The plant, to open in 1991, will generate 110MW for as long as 26 hours. Large CAES plants are also being planned in the Soviet Union and Israel.

According to EPRI, the total cost of CAES, including engineering, land and material expenses, works out at $425 per kW for a large unit (110 to 220 MW) and $625 per kW for a small unit (25 to 50MW) – half the cost of pumped hydro and much faster to build.

EPRI says that CAES is the best option for energy storage units down to 25MW in size. Below that, batteries come into their own. Although primitive lead-acid batteries were used in the early years of the industry, they were phased out as generating plant became more reliable. But over the last decade utilities have shown renewed interest in them.

Batteries can respond quickly to load changes (in about one-hundredth of a second). Since they are silent and cause no local pollution, utilities can install them in urban electricity aubstations and their customers can have them in their factories.

The first large modern storage battery was installed in 1986 by Bewag, West Berlin's electric utility, to make the city's power supply more reliable (for political reasons Bewag is not connected to either the East or West German grid). This lead-acid battery usually operates at 8.5MW but can supply up to 17MW.

Last year Southern California Edison started operating an even larger battery, which can run at 10MW for four hours. It has two large buildings (23,000 sq ft each) containing 8,256 lead-acid cells.

Meanwhile "advanced" batteries are being developed in several countries. The leading contanders – sodium-sulphur and zinc-bromine – store more energy in less space than lead-acid and promise to he cheaper. But both use highly reactive chemicals and require special safety precautions.

Chloride Silent Power, a joint venture of the UK Electricity Council and Chloride Group, claims to have a technological lead with its sodium-sulphur batteries. Next year Chloride will open a £6m pilot manufacturing plant for sodium-sulphur in Manchester.

But the first demonstration of sodium-sulphur technology for large-scale energy storage will be in Japan, funded by the Ministry of International Trade and Industry's ¥17bn (£75m) Moonlight Project for energy conservation research. A 1MW sodium-sulphur system is under construction at Tatsumi and is scheduled to begin operating next year.

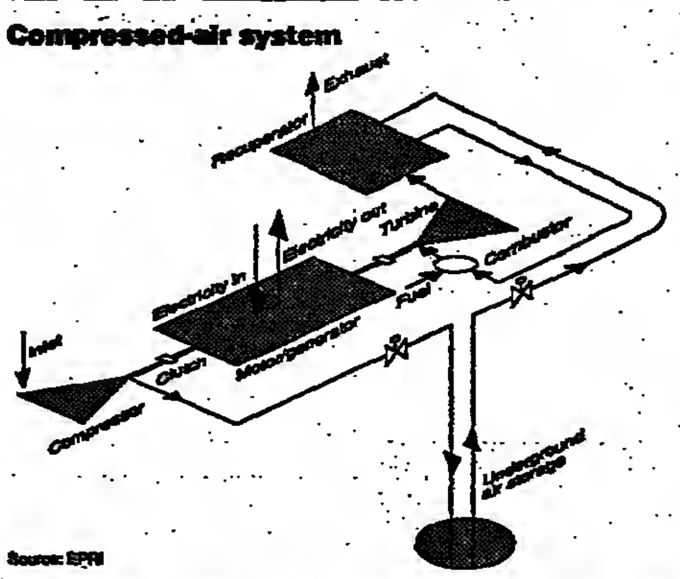
A more distant prospect is superconducting magnetic energy storage – feeding off-peak power directly into a doughnut-shaped electromagnetic coil of superconducting wire. EPRI and the US Department of Defence are evaluating a 10MW pilot plant using low-temperature superconductors cooled by liquid helium, which could be operational by 1994.

Although formidable economic and technical challenges still have to be overcome, superconducting storage could become a commercial proposition if the recently discovered "warm" superconductors can be adapted to carry more current than is possible today.

Estimated costs of energy storage

Technology	Size	Hours of storage	Total cost ($/kW)
Compressed air	Small module (25-50 MW)	10	625
	Large module (110-220 MW)	10	425
Pumped-hydro	Conventional (500-1500 MW)	10	1100
	Underground (2000 MW)	10	1490
Battery	Lead-acid (10MW)	3	695
	Advanced (10 MW)	3	425
Superconducting ring	(1000 MW)	3	975

Compressed-air system



Source: EPRI

Perestroika satellites

AS PERESTROIKA takes hold in the Soviet Union, companies there are exploring ways of exporting their technology to the rest of the world.

In the forefront is the satellite company Gosnitzipr, of Moscow, which is planning to sell pictorial data from its three remote sensing satellites, Okeal, Meteor and Resource. The satellites complete a circular journey of the earth every 16 days, taking digital pictures of continents, seas and weather patterns.

Former cosmonaut Vladimir Aksanov, now head of Gosnitzipr, believes the data will complement information sent by other satellites – from the US, France and Japan, for example – for use in agriculture, geology or environmental protection.

Because the pictures are digital – not just an ordinary photograph – the data can be manipulated and mixed with other computer data. The highest resolution pictures from the satellites use each picture element, or pixel, to represent 45m – the length of two cricket pitches.

Software for testing prowess

THE TYPING skills of the secretary have been tested in almost exactly the same way since the invention of the typewriter in 1714 – the prospective employer stands over the nervous interviewee with a stop watch.

But as more typists use personal computers instead of typewriters, software packages are being developed which automatically test the applicant's prowess.

Screen Test, from Abacus Recruitment, calculates the typing speed and highlights errors, such as spelling and punctuation. It can also give a comparison table of several interviewees.

The £299 floppy disk package, which runs on an IBM or compatible PC, contains several standard tests. It enables users to create tests relevant to their business – using medical or legal jargon, for example.

The crunch for tinned vegetables

WHY DO vegetables go mushy in tins? The answer, according to food scientists at Cornell University, in Geneva, New York, is that when the carrots or beans are blanched to drive out the air (and so enable producers to pack in more vegetables) the high temperature breaks down the pectin which provides the crunch.

The researchers have discovered that blanching the vegetables at a lower temperature – between 60 and 65 deg C – is both less damaging to the pectin and stimulates the growth of an enzyme which makes the vegetables crunchier.

The enzyme, pectin methylesterase, continues to develop after the vegetables have been sterilised in the can, making the vegetables crunchier the longer they remain on the shelf.

The researchers have also discovered that calcium encourages the growth of the pectin enzyme. They recommend adding a small amount of citric acid to the vegetables, which increases the degree of acidity and means that food can be sterilised at a lower temperature. High-temperature sterilisation can break down the pectin.

The Cornell team is investigating whether fruits such as peaches and cherries could benefit from the process.

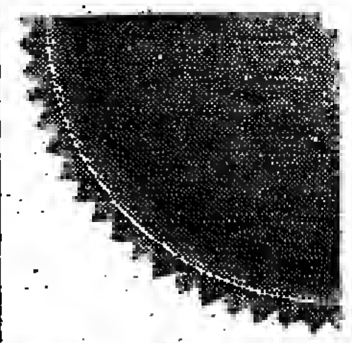
Cool Water turns to sewage

TEXACO is planning to take over the innovative Cool Water coal gasification plant in California, writes Clive Cookson.

Cool Water ran as an experimental 120MW power plant, sponsored by a group of US and Japanese companies, including Texaco, for five years until June 1989. It was reputed to be the world's cleanest coal-fired power station.

The plant uses an integrated coal gasification combined cycle process. It has a gasifier in which coal reacts with steam and air to produce a raw fuel gas containing carbon dioxide, hydrogen and methane.

This gas is cleaned chemically to remove pollutants, such as sulphur, before firing in a gas turbine to generate electricity. The hot exhaust is then used to produce steam to power a second turbine.



WORTH WATCHING

Edited by
Della Bradshaw

Now that the five-year demonstration programme is over, Texaco is negotiating to buy Cool Water and rebuild it to gasify a mixture of sewage sludge and coal. Sewage sludge is normally disposed of by dumping in landfills or in the ocean, but these methods are becoming less acceptable on environmental grounds.

The rebuilt plant is scheduled to open in 1992.

Pictures appear in glass

IMAGINE television pictures, or computer data, displayed on a sheet of glass.

That is the promise of developments in flat screen television and liquid crystal display (LCD) technology in the next decade, according to Pilkington Glass, of St Helens, in its report Fenestration 2000.

Although some companies already display computer information on transparent glass panels, the data is projected on to the screen. LCD and flat screen displays will allow electrical impulses to pass between two sheets of glass across minutely dimensioned grids, driven from the edge of the glass by computer.

This will mean not only that a television programme could be displayed on a glass dividing wall between two rooms, but also that useful information, such as a map, could be displayed on part of a car windscreen. The system could be integrated with an automatic routing system to help lost drivers find their way.

CONTACTS: Gosnitzipr: Lymart, London, 853 1031. Abacus: London, 930 2256. Cornell University: US, 315 787 2278. Texaco: US, 819 946 0011. Pilkington: UK, 0744 28882.

FINANCIAL TIMES
SURVEY

As East Germany prepares to celebrate its 40th anniversary, the country faces a political crisis. The exodus of young people to the West has highlighted the growing discontent of a population whose hopes for reform have so far been frustrated. **Leslie Colitt** reports.

Exodus may hasten reform

THE most striking feature of East Germany is an air of unreal normality at a time when the exodus of young people to West Germany has raised profound questions about the country'e future. Shops are better stocked than almost anywhere else in eastern Europe. Trams and buses run on schedule. Restaurants and cafes are crowded with well-dressed citizens who criticise loudly and without a trace of fear the leadership's rose-coloured reports of success on all fronts.

Yet the Socialist Unity (Communist) Party of Germany under its 77-year-old leader, Mr Erich Honecker, is at its most critical juncture since the founding of the German Democratic Republic 40 years ago.

Newly-formed opposition groups, the Protestant Church and even Government officials are calling on the party to open a "dialogue" with citizens on urgently-needed reforms. Especially worrying to the leadership is that many rank-and-file party members have come to sympathise with their demand.

If the call for political and economic reforms is thwarted it could one day develop into a popular groundswell of support for a more radical solution. As a creation of the Cold War, East Germany can only exist in the new climate of East-West rapprochement by achieving a consensus between its rulers and the population.

Opposition groups note that the mood of the population has changed. Many East Germans, particularly the younger generation, question whether the rigid socialist system in the GDR is capable of being reformed. Since the rise to power of Mr Mikhail Gorbachev in Moscow, hopes of reform in the GDR have been repeatedly frustrated.

Much as in the 1950s, many East Germans have again come to believe that unification with the West may be the only answer to the country's problems. But until the mid-1960s German unity was also the official goal of the East German leadership. It was Bonn which refused to react to East Berlin's repeated offers, barbed or not, of a German Confederation.

Since his rise to power in 1971, Mr Honecker has stressed the impossibility of unifying the "socialist nation" in East Germany with the "capitalist" one in West Germany. It would be like uniting "fire and water" he repeatedly claimed. Although his roots were in the Saar, now West Germany, the party leader believed that the Berlin Wall and the passage of time would lead to a new generation of citizens unflinchingly loyal to the GDR. This illusion was shattered by a flood of applications in recent years from East Germans seeking to emigrate to West Germany. It was buried by the latest exodus through Hungary to the West of more than 25,000 East Germans, most of them born after the Wall was built.

Nearly 30 years of East Germany's internal "consolidation" since the building of the Wall was largely wishful thinking. The country's diplomatic recognition in the early 1970s by the entire Western world could not make up for the lack of identification with the GDR by its own citizens.

Paradoxically, the orthodox party's rejection of reunification is shared by the opposition which the leadership appears determined to crush. Organisers of the largest opposition group, New Forum, are convinced that reunification in the foreseeable future would be dangerous and destabilising. This also remains the position of the Soviet Union, as Pravda sharply reminded Christian Democratic politicians in West Germany who saw reunification just around the corner.

Instead, the opposition envisages two democratic German states existing side by side in much the same way as West Germany and Austria. But they argue convincingly that unless East Germany is transformed into a "state ruled by lawe" its viability cannot be assured. Reforms, however, are anathema to a leadership which is afraid that they would escalate beyond the party's control.

Thus the dilemma for the party is that both the absence of reforms as well as the launching of reforms may unleash forces which inexorably push the two German states closer together.

Mr Honecker's refusal, however, to address any of the causes of popular discontent have led to growing resentment among rank-and-file party members. Confronted daily with a disaffected population, they have been handed only the stalest arguments by East Berlin headquarters to use in reply. Mr Honecker's complicated gall bladder operation last August and lengthy convalescence fuelled demands that he step down before the party congress next May.

Despite officially-inspired reports in Bonn that Mr Honecker was near death, he returned to his office in the Council of State building on Marx-Engels Platz last week looking remarkably fit. A senior East German official, however, remarked that his real illness was "political" which would be far more difficult to survive.

The grass-roots party membership would like to see Mr Hans Modrow, the popular party leader of Dresden district, succeed Mr Honecker. He is regarded as a man who could pave the way for economic and political reforms and gain the confidence of the population.

Mr Modrow, who is 61, lived up to his reputation on a recent visit to West Germany when he said that "deep thought" should be given to the reasons why so many East Germans were leaving the GDR. He expressed support for the views of his friend, Mr Markus Wolf, the former head of East German intelligence who is an ardent admirer of Mr Gorbachev. In a West German newspaper interview Mr Wolf noted how important it was that alternative opinions be heard in East Germany. Yet another critical voice from within the East German establishment was the Deputy Minister of Culture, Mr Klaus Höpcke who called for an end to the official practice of "leading people by the nose and patronising them".

But neither Mr Höpcke nor Mr Wolf even belong to the Central Committee. Mr Modrow does, but is in far-off Dresden and is not a member of the ruling Politburo from which a new leader is normally chosen.

The choice of the conservative Central Committee Apparat in Berlin to become the party's new general secretary is Mr Honecker's long-time heir apparent, Mr Egon Krenz. The 52-year-old Politburo member in charge of security was succinctly described by one senior party official as being "tough and flexible". He was in Peking last week helping to celebrate the 40th anniversary of Communist China, one of East Germany's few remaining ideological allies.

Soviet diplomats in Berlin note that Mr Gorbachev's visit to Berlin next Saturday for the GDR's 40th anniversary is designed to demonstrate continued support for Moscow's most important Warsaw Pact ally. Whoever is in power in Berlin – Mr Honecker, Mr Krenz or Mr Modrow – the Soviet Union is above all interested in maintaining stability in the GDR. Moscow appears determined not to directly interfere in East German affairs unless its own political and strategic interests in the GDR – including 370,000 Soviet troops – are threatened.

The supporters of New Forum, however, who range from Protestant clergymen to party members, argue that nothing is more dangerous for the GDR's long-term stability than the suppression of dissent and the "graveyard stillness" of present-day East German society. They stress, though, that reforms should take place within a "socialist framework" and lead to a democratic socialism.

The opposition's main problem, apart from the prospect that its leaders may be exiled to West Germany, is that it is top-heavy with intellectuals. Relatively few workers have been attracted to New Forum or to the other opposition groups. But without an alliance between intellectuals and workers the outlook is dim for the opposition movement. Unlike the reform-minded Hungarian Communists, the orthodox East German party cannot be expected to make concessions to an opposition dominated by clergymen, scientists and academics.

Yet it is not surprising that East German workers have neither produced a Lech Walesa nor strikes of the kind which swept the Soviet Union this past summer. Unlike the situation in Poland and the Soviet Union, the GDR's command economy is not on the verge of collapse. East Germans, who have the highest standard of living in Eastern Europe, are far from desperate and do not want to risk losing what they have. This, however, does not mean that the population – which is totally oriented toward West German living standards – is satisfied with its lot.

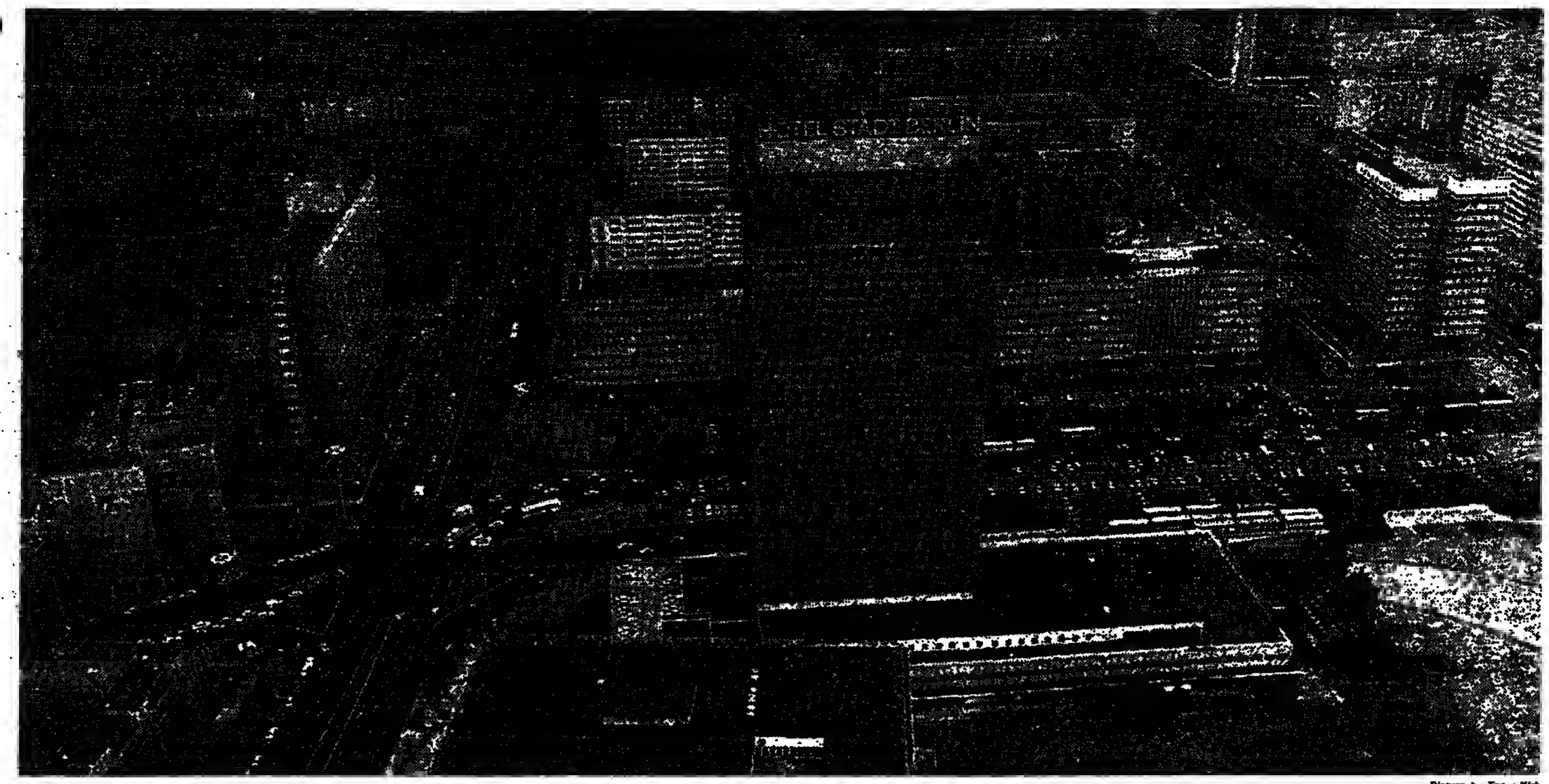
Most East Germans, however, cling tenaciously to massively-subsidised 20 pfennig tram and bus fares, Mark 90 monthly housing, and ludicrously cheap basic foods and services. They doubt that the present command-type economy is capable of satisfying anything beyond their basic demands. Meanwhile, the subsidies are an article of faith to Mr Honecker and his elderly colleagues in the Politburo who equate higher prices with 1920s-style hyper-inflation.

Those who rebel against these economic disincentives – and against the deep official mistrust of the people – are the younger generation of skilled workers, engineers and doctors who stream out of the country. East Germany's loss is West Germany's gain: well-educated, talented and easily-motivated citizens.

Mr Honecker's successor, whether reform-minded or not, will be confronted with the same dilemma which has faced the leadership for more than a decade. Billions of Deutsche Marks in West German support for the GDR have only postponed the day of economic reckoning. They have done nothing to improve the productivity of East German workers or the low competitiveness of East German products.

Only economic reforms could address this malaise – and these would have to include a cutting of subsidies; a boost to incentives by production of quality goods; productivity raised with the help of differentiated wages; and poor labour discipline in factories and massive absenteeism overcome by improved job supervision.

Achieving these goals will require sacrifices which can only be obtained if the population has confidence in its leadership. Far-reaching political reforms are thus unavoidable, whatever the future of East Germany.



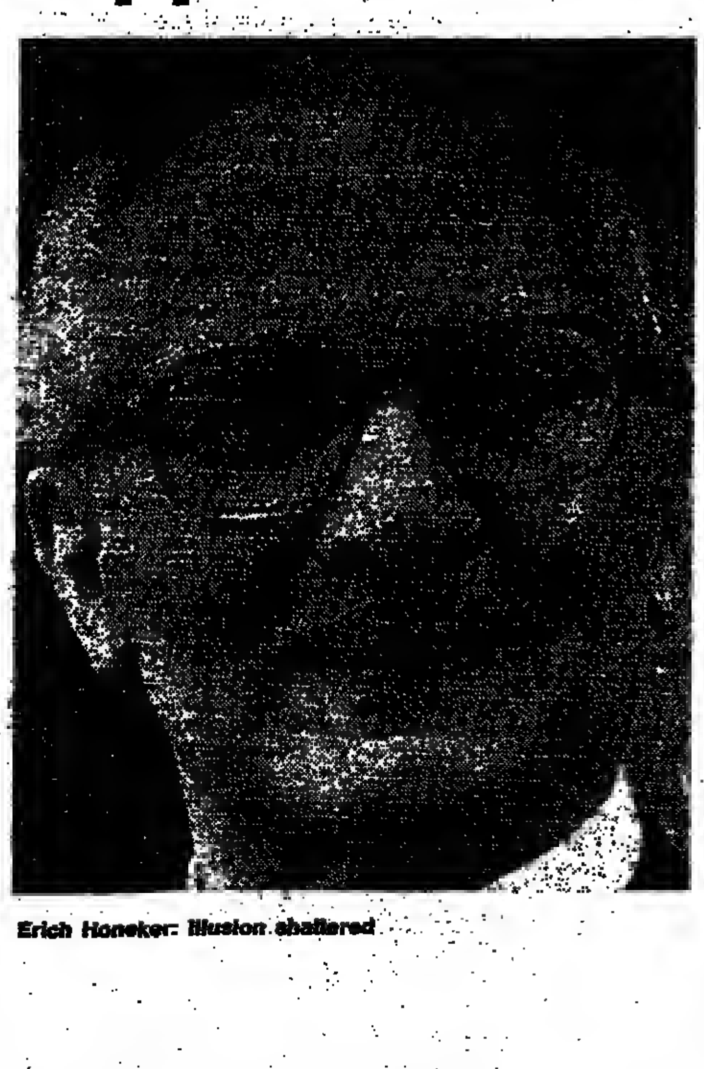
East Berlin: behind the rose-coloured reports of success are searching questions about the future striking at the heart of the state

Picture by Terry Kirk

German Democratic Republic

POLITICS

Opposition calls for dialogue



Erich Honecker: illusion shattered

PROFESSOR Dr Jens Reich, a highly-respected molecular biologist and physician in East Berlin, compared East German society with a patient whose complaints go unheard. "Only by listening to the complaints and correctly diagnosing them can one stop people from escaping to the West," he noted. Dr Reich and a small band of like-minded East Germans last month founded New Forum, the first countrywide opposition movement. It was in response to the refusal of the authorities to speak openly with the population.

The lanky 50-year-old researcher spoke of the frustrations and hopes of citizens who wanted to remain in East Germany. "This society needs a constructive dialogue like in the Soviet Union. Otherwise people will demonstrate in the streets and flee across the border like rabbits," Dr Reich said alluding to the more than 25,000 East Germans who fled to the West since August.

Unlike the many East German doctors and scientists who had emigrated and escaped to West Germany, Dr Reich was determined to stay and help reform his country from within.

"I have a vision of co-operating with those who govern," he said in his pre-war flat in East Berlin's leafy suburb of Pankow. "We do not want power and are not calling for the party to give up its leading role. We only want the party to seek a dialogue with the population, with us, New Forum."

But the likelihood of a dialogue taking place even under such conciliatory terms looked extremely remote.

A senior Socialist Unity (Communist) Party information official lashed into the opposition's offer in a private conversation. "We know these groups well. They are riddled through with people working undercover for the other side," he charged. The party official angrily accused Bonn and the West German media of having prepared the flight of his countrymen through Hungary "long in advance like a military campaign" in order to strike a blow at East Germany before its 40th anniversary celebration.

New Forum's proclamation, signed by more than 100 scientists, doctors, workers and churchmen, demanded an end to domination by the state and to a country of "jailers and police informers". It called for

Continued on Page 6

Leslie Colitt discusses the economic outlook

In search of wider trade links

A JOURNEY by train from Magdeburg to Dresden through the industrial heartland of East Germany reveals the strengths and weaknesses of Comecon's most advanced economy.

The train passes sprawling factories, their generic-sounding names largely unknown in the West, which produce cranes, locomotives and chemicals in relatively modern buildings. But they are far outnumbered by grimy, red-brick factories dating from the 1890s which line the railway tracks.

One relatively up-to-date plant, Waggonbau Dessau, which manufactures refrigerated railway cars, was recently ordered by the East Berlin ministry supervising it to take over an archaic factory which produced poorly-made children's bicycles. Quality was to be improved and output boosted.

But two different Kombinats – vertically integrated industrial combines – were responsible for supplying components for the two types of bicycle produced, although in most cases the same parts were used. This meant double work for the parent company in Dessau. Worse, the suppliers were unable to deliver.

Dessau had to send out its buyers to scour the country for components to maintain production. A truck was dispatched daily to Sangerhausen near the West German border to pick up pedals. Another truck left for a Barchfeld factory which produced bicycle chains. The state company in Ilberstedt which chromium-plated the handlebars and other parts could handle only 80 per cent of the work ordered. *Another supplier*, in Mühlhausen, was unable to deliver 25 per cent of the parts ordered for this year. The state-owned kitchen furniture factory in Weissenfels, which produced mudguards and wheel rims for the Dessau plant, had frozen production at the 1987 level.

Small wonder that companies producing more essential products than bicycles were frequently forced to call on their Ministry or Foreign Trade Organisation to send a truck to West Berlin to buy vital parts.

Occasionally, though, central planning is capable of considerable technological achievements – at a price. Carl Zeiss Jena, one of the leading GDR high-tech companies, developed a one-megabit memory chip at a cost of Mark 14 bn (£4.6bn) or, more than 20 per cent of East Germany's total annual investments. By next year "preparations" are to begin for production of a four-megabit chip.

Western specialists acknowledged the feat but said that unlike Siemens in West Germany which was able to quickly achieve volume production of its chips and could use them in its own products, East Germany might have been better off buying the chips far more cheaply on the world market. East German engineers noted that factory directors were resisting the introduction of micro-electronics, preferring to stick with the low-tech products with which they were familiar. Incentives to innovate were lacking as were qualified research and development staff.

The 126 Kombinate are the brainchild of Mr Günter Mittag, the Politburo's economic tsar. Set up in the 1970s to replace the ineffective industrial branch associations, they have strengthened and streamlined central control of production. But the industrial giants have also further narrowed the range of suppliers and are frequently the only domestic producer in their branch.

Dr Heinz Warzecha, director-general of the "7 October" Machine Tool Kombinat in Berlin, noted that unlike his western competitors who had "innovation-minded, productive suppliers" these were lacking in the GDR. The experimental introduction of "self-financing" – linking investments to profits – in 16 Kombinate is to be expanded to 52 next year and to all Kombinate by 1991. Detailed control of investments by the central authorities, however, is to remain decisive.

Although industrial prices were regularly adjusted to reflect higher costs, the leadership's demand that exports must be more profitable will be extremely difficult to meet without a convertible currency. Many East German companies export their products to the West even if the hard currency proceeds are a fraction of their production costs. Conversely, the lack of convertibility of the East German mark forces East German producers to use domestic inputs even if they are far more expensive than western equivalents.

Unlike most other Comecon countries, East Germany was able to slash its net debt to the West (without West Germany) from $10.1bn in 1981 to $5.3bn in 1985. But it was forced to radically curb imports of consumer-related goods and to boost exports of many products which normally would have gone to the population. Net debt rose to $7.8bn at the end of last year (see table) as East Germany resumed borrowing for badly-needed modernisation of plant and equipment.

The state's enormous subsidies to maintain low prices for basic consumer needs, represent a crippling economic burden which the present leadership has refused to tamper with on ideological grounds.

This year state subsidies of Mark 57bn will be paid to support low consumer prices for basic foods, housing, electricity and heat, basic household items, services and transport out of a total budget of Mark 275bn. The unrealistically low prices – pegged at prewar or 1950s levels – produced enormous distortions in demand. Shortages developed in everything from vegetables and fruits to bicycle parts as producers were not interested in maintaining output because of ths low prices paid by the state.

Mr Otto Reinhold, head of the Central Committee's Academy of Social Sciences, said the policy of subsidisation would continue but that there could be "greater differentiation" in the future. "Why should one person who lives in five rooms get the same subsidy for all rooms?" he remarked at a conference on East Germany in the 1990s. Monthly rent for a new three-room flat in East Germany is Mark 90.

He questioned, however, *whether the leadership would* be prepared to raise the price of bread – 45 pfennigs for a two-pound loaf – by 400 to 500 per cent to halt massive waste. Bread and potato prices were virtually regarded as part of the political credo.

Prof Helmut Koziolek, head of the Central Institute of Economics, noted at the same conference that "market relations" would have to be expanded to make the planned economy more efficient. He also spoke of a "*commercialisation*" of trade links with the Soviet Union and increased economic co-operation with the West, especially with West Germany. His remarks were made before tensions rose between Bonn and East Berlin over the exodus of East Germans to the West. But it can be assumed that East Germany will not want to exclude itself from increased co-operation with its most natural partner, West German industry. All the more so as East German trade with Comecon has become more difficult and its partners – from the Soviet Union to Hungary and Poland – seek to expend their economic links with Bonn.

"Either we put up with what we get from our suppliers or we offer it as an entirely new product."

Source: Eulenspiegel satirical magazine.

Investments in GDR 1981-1989

	Marks billions	% change over same period in previous year
First half 1981	23.5	+12
First half 1982	22.0	−6
First half 1983	24.0	+9
First half 1984	24.0	0
First half 1985	25.0	+4
First half 1986	29.0	+16
First half 1987	30.0	+3
First half 1988	34.0	+13
First half 1989	36.0	+7

Source: Neues Deutschland

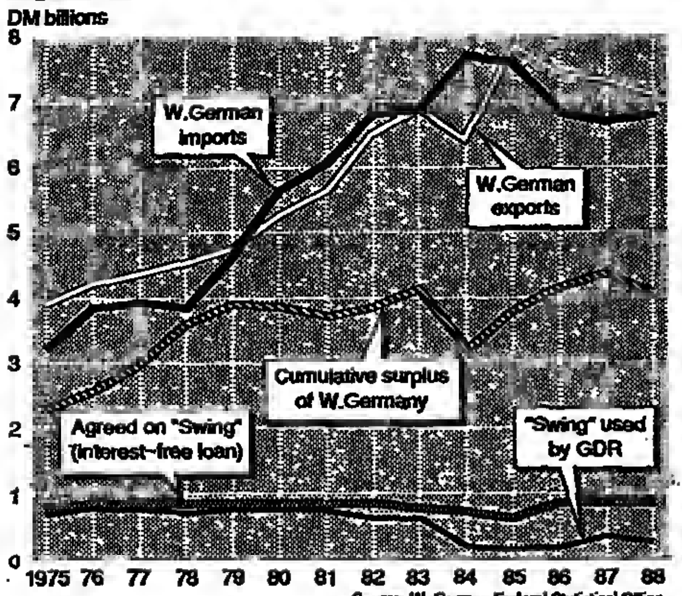
GDR foreign debt ($ billion)

OECD¹	1981	1985	1986	1987	1988
Bank loans	10.7	10.2	12.2	14.2	15.7
Supplier credits	1.6	1.6	1.9	2.0	2.1
Gross debt	12.3	11.8	14.1	16.2	17.8
Deposits	−2.2	−6.5	−7.4	−9.0	−9.9
Net debt	10.1	5.3	6.7	7.2	7.8²

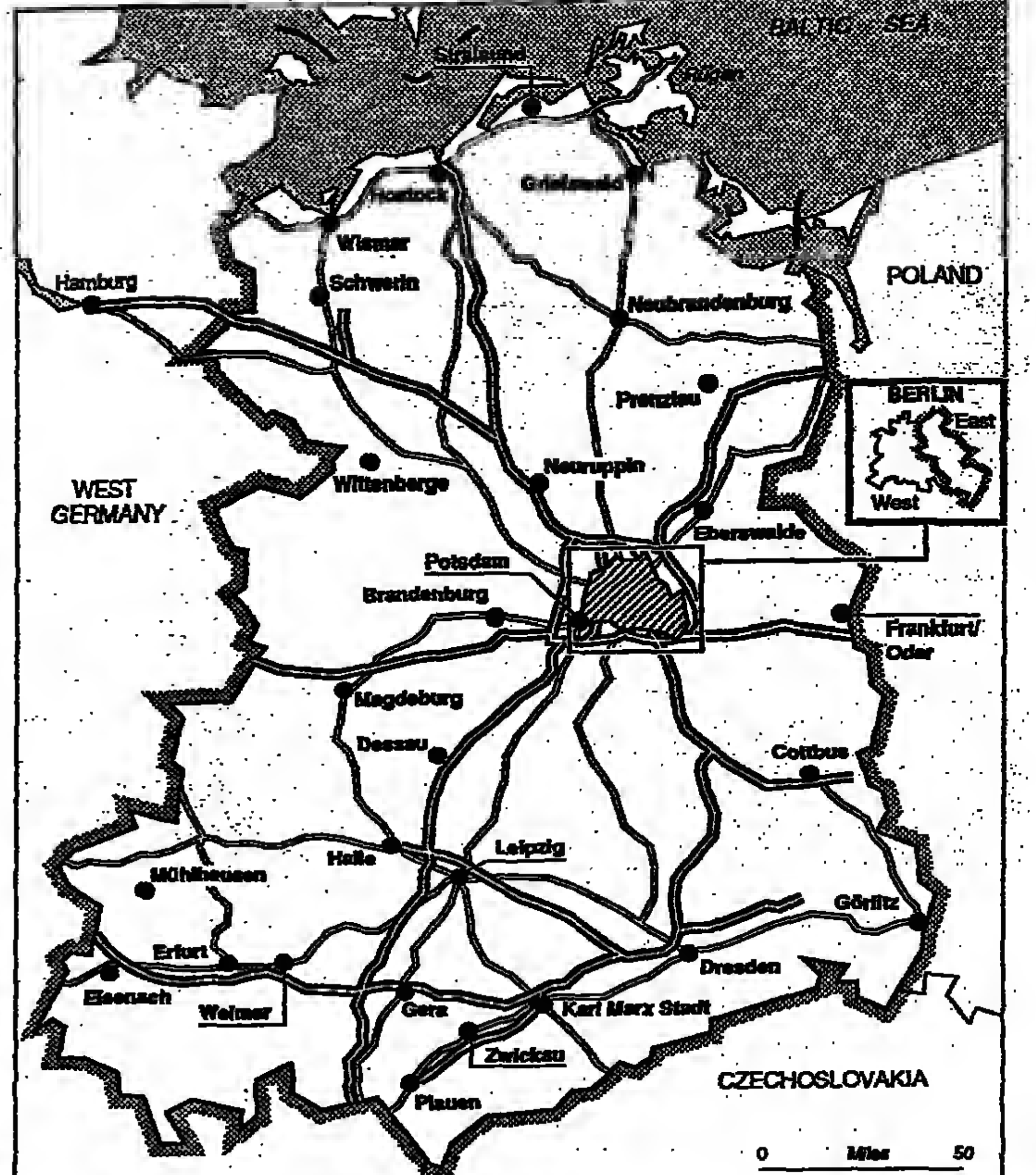
1. Minus inner-German transactions; 2. Plus $1.5bn inner-German cumulative deficit

Source: BIS/OECD statistics on external indebtedness

Development of inner-German trade



Source: W. German Federal Statistical Office.



Five-year plan of GDR

(Change in per cent)	(Ulbricht) 1966/70 Actual	(Honecker) 1971/75 Actual	1976/80 Actual	1981/85 Actual	1986/90 Plan
Produced national income (GNP minus services)	+29.0	+30.1	+22.4	+24.9	+25.0
Investments	+61.0	+26.4	+18.4	−4.0	–
Net monetary income of population	+21.6	+27.3	+19.6	+17.1	+21.7
Retail trade turnover	+25.3	+28.0	+21.9	+13.5	+21.7
Foreign trade turnover	+60.4	+87.9	+61.4	+50.0	–

Source: GDR statistics

Five-year plan of GDR

(% change on previous year)	Plan 1989	1st half 1989
Produced national income (GNP minus services)	4.0	4.0
Industrial goods production (only centrally-managed companies	4.2	4.4
Net industrial production	6.5	6.0
Net monetary income of population (nominal)	3.5	3.0
Retail trade turnover (nominal)	4.0	4.3
Investments	–	7.0
Foreign trade turnover (nominal)	3.6	2.6
Of which:		
Exports	4.3	2.5
Imports	2.9	2.8

Source: GDR statistics

David Goodhart looks at foreign trade

Trapped in squeeze between east and west

THE story of the GDR's foreign trade in the 1980s has been one of rapid growth in the first half of the decade followed by stagnation, and even decline, in the second half. The contrast was largely due to the fall in the oil price, affecting the value of the GRD's considerable trade in oil-based products.

However, current prospects – even given an upward drift in the oil price – look miserable. The GDR is in danger of being squeezed between increasingly demanding and western-orientated comrades in Comecon and the West itself which is buying fewer of the country's manufactured goods and with the EC Single Market in 1992 threatens to buy fewer still.

The GDR's 1970s boast that it was the supplier of investment goods to large parts of the socialist and developing world – a mirror of West Germany's role in the EC – still has some substance.

However, throughout the 1980s it has been facing increasing price competition from the newly-industrialised Asian countries and has been technologically slipping further behind the West.

Researchers believe that the stagnation in the export of high value-added investment goods stems partly from the squeeze on hard currency at the beginning of the decade which cut the flow of key western technologies needed for modernisation.

The GDR feared in 1981 that, like some other Comecom countries, its foreign debt with the West was becoming dangerously high and that this could have unpleasant political consequences. How big that debt was nobody knows precisely but the Gesamtdeutsches Institut, connected to the Inner German Relations Ministry in Bonn, reckons that it was somewhere between $14bn and $10bn and that has now been reduced to about $6bn; its credit standing is now one of the best in the East Bloc.

Throughout the 1980s it has been facing increasing competition

However, the consegnence was that total trade with OECD countries (exclnding West Germany) actually fell from $4.6bn in 1980 to $3.8bn in 1985 *before* the *decline* in the oil price and while the GDR's trade as a whole was still rising sharply from VM120bn in 1980 to VM180bn in 1985.

Also throughout most of the 1980s the GDR insisted on maintaining a small trade surplus with the OECD countries. The fact that in 1988 it allowed *both OECD trade to creep back* up to $5.7bn (dollars) and accepted a small deficit of about $200m – for the first time since 1981 – is seen by some West German analysts as a sign that the economic planners in East Berlin now recognise the urgency of rapid modernisation if they are to hold on to their once secure markets in the East Bloc, let alone improve the structure of their *trade with the West*.

Comecom continnes to account for about 70 per cent of foreign trade with about 30 per cent going to western countries. In 1988 the total value of foreign trade – calculated in the special valuta mark used for trade – came to VM177bn with a small VM3bn surplus of exports over imports. Of that total VM117bn was with Comecom and VM48bn was with the West.

Despite the recent rise in *trade with the West the* structure of exports has become increasingly tilted towards low value-added goods.

The largest category is refined oil, followed by textiles (where Taiwan is an increasingly troublesome competitor) and basic chemicals. The share of investment goods going westwards has fallen from about 15 per cent at the beginning of the decade to less than *10 per cent now*.

Investment goods continue to count for more than 50 per cent of exports to Comecom countries, but it is there that the GDR's problems are just beginning.

In particular, the Soviet Union (which accounts for more than 60 per cent of the GDR's Comecom trade), Poland (8 per cent) and Hungary (7 per cent), *are becoming increasingly difficult trading partners*.

Not only is the supply of *sometimes* vital parts from these countries to the GDR disrupted even more than usual because of their political upheavals, but they have also started demanding better quality goods from the GDR to help their economic and political renewal.

Trade with the USSR has been *stagnant* or declining since the mid-1980s as they have started to look elsewhere *for better* value. The *Soviets* have also started to question the value to them of the giant framework agreements which lack flexibility and quality control.

According to Mr Wolfgang Stinglwagner, of the Gesamtdeutsches Institut, the GDR trade negotiators have discovered to their horror that they can no longer merely set cost-plus prices for their Comecom exports and expect to get paid.

Trade with the USSR has been stagnant or declining

"The Soviets are starting to negotiate quite tough deals," he said. The position is especially difficult with those *Soviet firms which* have been given almost complete autonomy over their foreign trade arrangements.

For both political and economic reasons the GDR has been opposed to reforming Comecom through measures such as increasing the amount of dollar-basis trade. The shock to the GDR's economic system that would be delivered by *quickly having* to earn a *larger* part of its living in the West is welcomed by some reformers; but supported by the *special* relationship with West Germany – which gives the GDR economic advantages enjoyed by no other Comecom land – there are still strong incentives to maintain the status quo.

Some analysts calculate the direct and indirect subsidies from West to East Germany as nearly *DM4bn* per year.

Trade is one source of indirect subsidy as West German businessmen not *only* pay *no* duty on goods from the GDR – a special relationship accepted by the EC – they can also claim back duty from the tax authorities as if they had paid it.

Despite that, incentive trade between the two Germanys has recently been stagnating, although it is still about half of all trade with the West: the East Germans have had less money to buy West German goods and the West Germans have had less inclination to buy East German ones. (The claim that East-West German trade is cramped by quotas is dismissed by most analysts who say that the quotas in most sectors are set far too high to be troublesome).

The current year has, however, seen a sharp rise in inner German trade – possibly a further *indication that* caution over debt is taking second place to the modernisation drive.

In the first eight months of the year imports from West Germany rose 14 per cent to DM4.93bn and exports to West Germany rose six per cent to DM4.71bn, and trade for the year is expected to break the DM15bn level.

Easily the largest category of *imports from West Germany* – about 25 per cent – is sophisticated electronic and investment *goods*; the *biggest* exports are services (mainly East Berlin workers in West Berlin), chemicals and textiles.

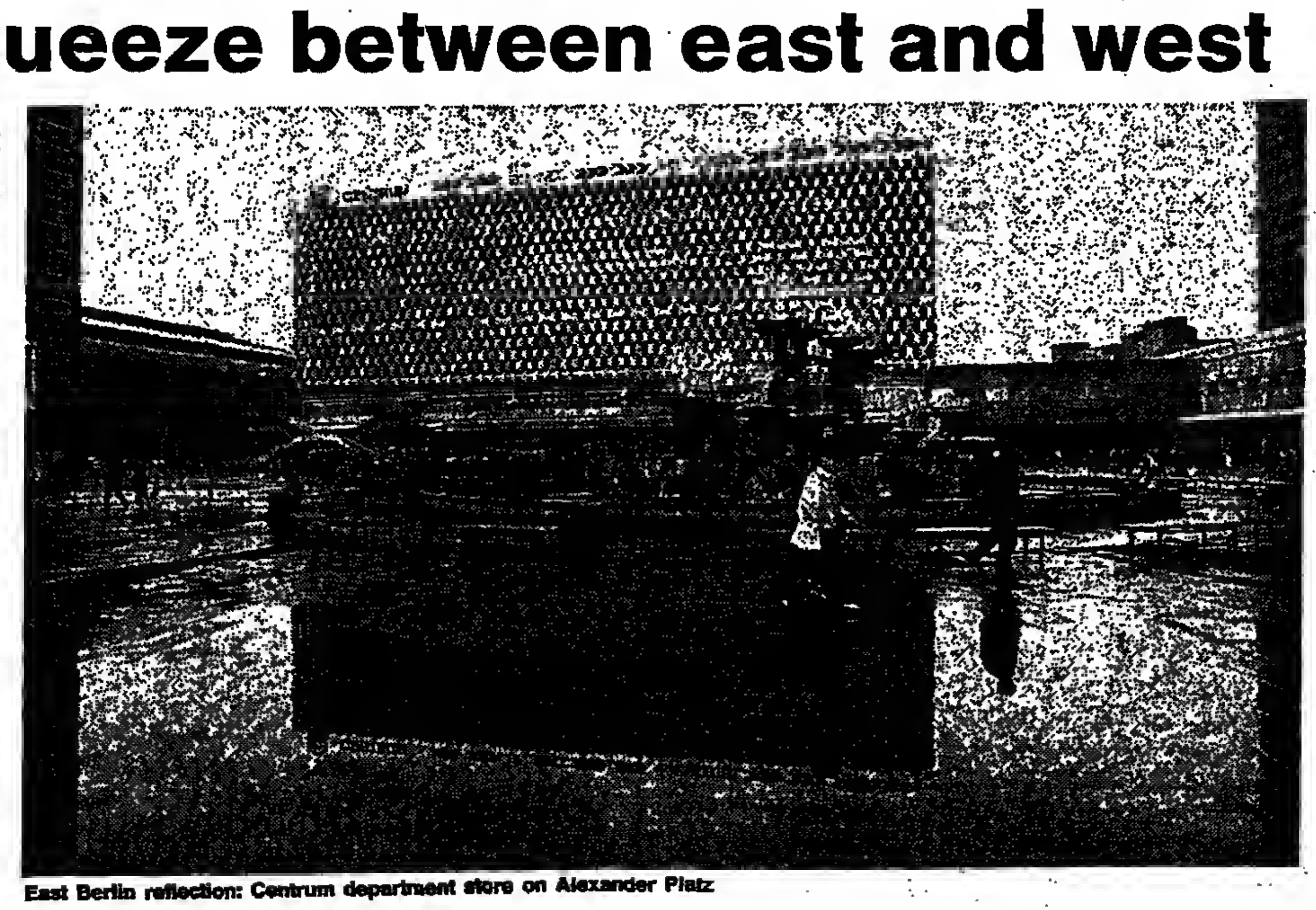
All observers agree that the GDR does have some manufacturing industries which can compete in world markets – optics, printing machinery, textile machinery, furniture.

However, even the much-praised printing machines produced by Polygraph usually use western computer brains, and if the GDR has to earn more hard currency it will need to widen its export base even in these relatively advanced sectors.

A far looser economic relationship with the other Comecom countries could, in the *longer* run, bring benefits to the GDR. It would no longer, for example, have to waste resources *on developing* a four mega-bit chip for the whole East Bloc.

The *chip is currently* unavailable to Comecom countries – because of the Comecom restrictions *on western* exports – but by the time the GDR finally managed to produce it the restriction might well have been lifted.

Relieved of such industrial responsibilities towards Comecom and with further liberalisation of its economic structure and trade hureancracy the GDR could eventually become a far more familiar, and successful, presence in western markets.



East Berlin reflection: Centrum department store on Alexander Platz

KEY FACTS

Area: 108,333 sq km
Population: 16.64m
Head of state: Erich Honecker

Net material product (1985 prices): 1988: Marks 269bn
Real NMP growth: 1988, 3%; 1987, 3.6%; 1981-85, 4.5% (annual average)
Average of USSR and East Europe: 1988, 4.1%; 1987, 2.6%; 1981-85, 3.1% (average)

Growth of industrial output: 1988, 3.7%; 1987, 3.2%; 1981-85, 4.1%
Growth of agricultural output: 1988, -4%; 1987, -0.7%; 1981-85, 1.7%

Exports by destination (% of total): E Europe: 1980, 26.2%; 26.5%; USSR: 1980, 33.3%; 1988, 35.5%; Developed countries: 1980, 34.6%; 1988, 29.9%
Imports by source (% of total): E Europe: 1980, 22.4%; 1988, 24.8%; USSR: 1980, 33.2%; 1988, 34.6%; Developed countries: 1980, 34.6%: 1988, 33.2%
Exports to OECD: 1988, $6.6bn
Imports from OECD: 1988, $7.1bn
Principal exports 1987 (% of total): Machinery and transport equipment 48%; Fuals, minerals and metals 16.6%; Industrial consumar goods 16%
Principal imports 1987 (5 of total): Fuals, minarala and metale 38%; Machinery and transport equipmant 34.1%

Currency: 100 pfennig = 1 mark
Official exchange rate: 1988 (average): $ = Marks 1.75; £ = Marks 3.117

Joyous arrival: East German refugees celebrate at a reception centre in Bavaria

David Marsh discusses the relationship of the two German states

Forces dividing Germany are losing their strength

THE two German states formed in 1949 were fission products of the Cold War. In 1969 the advent in Bonn of a Social Democrat-led government paved the way for ostpolitik and a slow thaw between East and West Germany.

Twenty years on, 1989 stands out as another landmark. The Cold War is widely claimed at last to have ended. The forces maintaining East and West Germany apart are losing their strength, and the "German question" which was put in abeyance for four postwar decades is again coming to the surface.

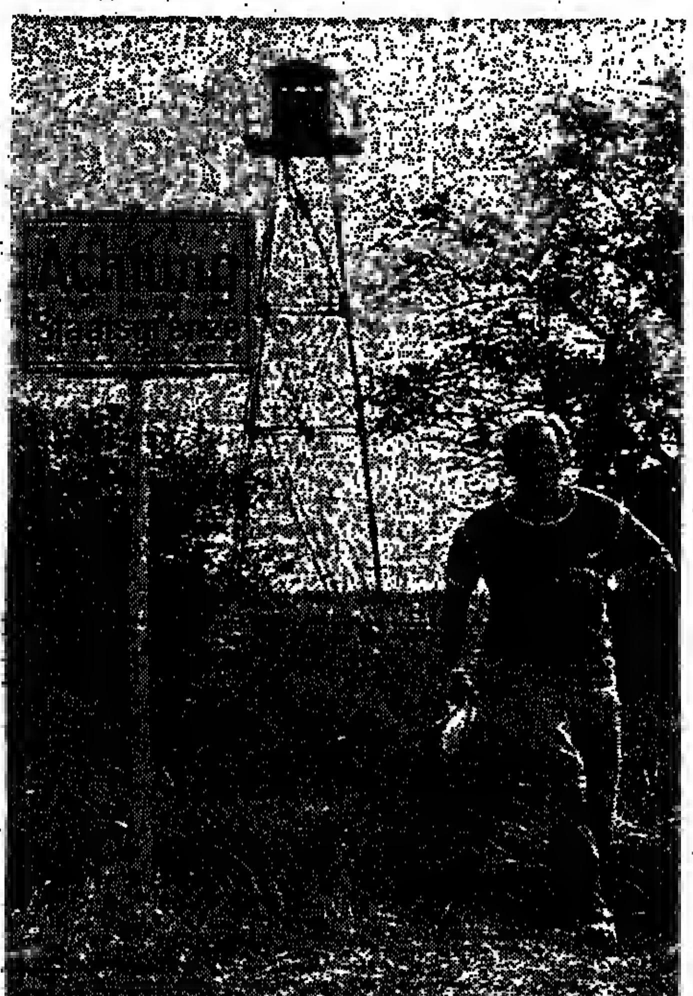
East Germany maintains the official doctrine that relations with the Federal Republic are no more important than those

The 'German question' which was put in abeyance for four postwar decades is again coming to the surface

with any other West European state. This line, however, ignores the realities that West Germany provides East German citizens with information via TV programmes, passports through the constitutional disavowal of East German nationality, and cash through the direct and indirect subsidies of DM4bn a year.

Mr Erich Honecker, the East German leader, whose formative years were spent in resisting – and being imprisoned by – the Nazis, proclaims division is the historical result of fascism. Mr Mikhail Gorbachev has hinted that tampering with postwar partition of Germany could endanger European stability.

But the Soviet Union, which arguably holds the key to the German question, has never given up the ideological formula that the German nation continues to exist. Mr Gorbachev has said that the future of the two Germanys will be a matter for history to decide. Simply by indicating that division, at some stage in the future, could be reversed, Mr Gorbachev has made his own contribution to bringing back the German question to the forefront of European interests.



Border line: An East German refugee dashes to the west across the boundary between Hungary and Austria

Mr Honecker's visit to Bonn two years ago was widely regarded as representing an acceptance of the postwar status quo by both East and West Germany. In fact it marks no more than an interlude in the two sides' tortuous relationship.

The state visit has allowed concrete exchanges to be stepped up in fields like technological and environmental co-operation, and has been accompanied by a sharp increase in travel between the two Germanys.

But ties between the two states, as ever, are subject to the wider relationship between the US and the Soviet Union. And, as signs of detente have multiplied between the superpowers, and as Communism loses its hold in other parts of Eastern Europe, the problems facing the East German leadership have been magnified.

In managing inter-German relations, both Bonn and East Berlin face difficulties requiring more than a modicum of schizophrenia to master. The West German constitution pledges the state to seek "unity" with East Germany as its highest political goal. But no Bonn government has ever sought reunification as an operational policy. The word "wiedervereinigung" (re-unification) has not been used in public by any German chancellor for 20 years. The Federal Republic may proclaim its interest in the erosion of the East German state. But an implosion, or explosion in East Berlin, risking military intervention from the Soviet Union, is the last thing any West German government would want.

The best possible goal for West Germany is to achieve some form of confederation with the East in the context of a general breaking down of European barriers. But no one in Bonn has much idea of how this can be achieved. So the government has little choice but to continue to stabilise East Germany, while hoping for its long-term disappearance.

The dilemmas facing East Berlin are still more taxing. The state lacks basic identity and legitimacy: 20 per cent of its population has fled westwards since 1949. The Honecker regime preaches an

The West Germans have little choice but to continue to stabilise East Germany, while waiting for its disappearance

orthodox ideology which is disclaimed not only in Hungary and in Poland but also in Moscow.

Banking on the assumption that Germany's neighbours might prefer it to remain divided, East Berlin is adopting the strategy of holding on and playing for the long gain. But with the pressures of the reform movements to the east and the south, and under pressure from the haemorrhage of population to the west, time is one commodity which Mr Honecker does not have at his disposal.

The four victor powers of 1945 which still hold responsibility for "Germany as a whole", may have to be reminded of one uncomfortable fact – Germany was divided after the war not because of any consistent policy over the future of central Europe, but because of the absence of one.

Forty years on, the dilemma over Germany remains intractable. Even though the receding of the Cold War brings opportunities for peace and normal relations in the centre of Europe, none of the four powers is yet ready to put the fate of Germany back into German hands.

David Goodhart investigates environmental issues

East Germany aims for a greener shade of politics

THE East German Government has begun to take environmental politics seriously. A decade after public pressure forced West Germany's politicians to place the environment close to the top of the political agenda their East German counterparts appear to be scrambling to catch up.

That has something to do with years of international pressure, not least from West Germany which suffers considerably from East German pollution. More important, the environment has now become a focus of domestic discontent for the inhabitants of one of the most polluted countries in the world.

Opposition groups have highlighted the issue but a certain degree of official criticism is also permitted; the official press has recently been publishing many more complaining letters on the environment.

Other indications of change:

■ The 1988 GDR official yearbook for the first time published figures on various aspects of environmental damage, in particular air pollution. West German analysts say this is a significant step in a country where there is virtually no publicly available information on the subject; their worry is that in some areas the East Germans seem to have just picked up West German estimates.

■ The country is using more of its precious hard currency to buy state-of-the-art environmental protection equipment from abroad. After unsuccessfully trying to build their own chalk-based desulphurisation plant at one power station in the south of the country, the

The environment has now become a focus of domestic discontent for one of the most polluted countries in the world

planners turned to the British firm Davy McKee which has just completed a desulphurisation plant at the Rumelsburg power station in East Berlin at a cost of £40m. Also, one of the few big potential orders announced this year by the East Germans at an otherwise down-beat Leipzig Trade Fair was for a DM350m "clean" chlorine plant, made by West German chemical group Hoechst, which produces chlorine without mercury.

However, such developments will barely scratch the surface of the GDR's pollution problem which, according to analysts in the West German Environment Ministry, is badly effecting public health in some parts of the country.

Air pollution is the biggest problem, and much of that stems from the country's reliance on brown coal (lignite). Brown coal produces about 70 per cent of the country's electricity with a further 15 per cent coming from gas, only about 4 per cent from nuclear, and the rest from other sources.

Brown coal is cheap to mine – you just scoop it out of the ground – but it is expensive to transport, hence the concentration of power stations in the two areas – Liepzig/Halle and Lausitz – where most of the 35 pits are located. It is also an inefficient fuel to burn, compounded by the GDR's old fashioned equipment, and when burnt produces enormons quantities of sulphur dioxide. (Additionally, it horribly defaces the countryside).

According to the GDR's own figures the country emits about 5m tonnes of sulphur dioxide into the atmosphere every year – more than any other country in Europe. Nitrogen emissions are not quite so bad – partly because of the small size of motor cars – at 955,000 tonnes.

The sulphur dioxide problem is especially acute in the two areas where the power stations are concentrated. In the north of the country and around Berlin the air pollution problem

Air pollution is the biggest problem, and much of that stems from the country's reliance on brown coal which is an inefficient fuel to burn, compounded by the old-fashioned equipment, and when burnt produces enormous quantities of sulphur dioxide

has never been so intense and some observers claim is even improving slightly. However, there are some forests in the GDR which have been almost completely destroyed, according to West German analysts.

In the short term the only solution is to burn less brown coal which means saving energy. More efficient burning of the coal would also help; partly because of the inefficient way it is done the GDR lies third in the world league table of primary energy consumption per head, behind only the US and Canada.

In one respect the energy system is quite efficient: researchers at the Inner German Affairs Ministry in Bonn say that more than 20 per cent of all homes in the GDR are heated direct from power stations (rather than the grid) – a considerably higher percentage than in West Germany.

Nevertheless, Mr Kurt Lietzmann, a senior official in the Bonn Environment Ministry, regularly in contact with his opposite numbers in East Berlin, believes the GDR leadership is close to an important strategic decision on whether to invest massively in cleaning up brown coal power stations or in boosting the nuclear programme.

There is a widespread rumour that a new nuclear power plant is being planned for the Leipzig area which may indicate that the nuclear lobby is winning the argument – possibly on the grounds that brown coal will start to run ont, or at least become far more expensive to mine, two decades into the next century. There is only one properly functioning nuclear plant at Greifswald, alongside a tiny experimental plant at Rheinsberg. Another plant has been under construction since 1975.

Aside from air pollution the GDR suffers from the environmental effects of its intensive, and, by East Bloc standards,

In theory the GDR has quite strict environmental laws 'but nobody ever seems to be punished for breaching them'

extremely efficient, collective farming system. Some West German sources reckon that about 70 per cent of the country's water supply is poisoned thanks largely to the application each year of more than 50m tonnes of agricultural chemicals.

Dumping of poisonous chemicals in rivers also seems to be largely uncontrolled. The West German Environment Ministry reckons 27m tonnes of mercury is dumped in the Elbe every year by GDR industry compared with about 3m tonnes in the Rhine by West German industry.

It is partly because such cavalier treatment of the Elbe also affects the West Germans on the opposite bank that the environment has recently become another important source of West German money for the East Berlin Government. Since 1987 there has been a formal co-operation agreement on the environment and joint committees meet regularly on pollution of the Elbe, the Baltic Sea, and the air. (The East sends over to West Germany 163,000 tonnes of sulphur dioxide per year and receives from West Germany 61,000 tonnes according to the West German Federal Environment Office; the GDR was also responsible for serious smog problems in parts of eastern West Germany in 1985-86).

Three months ago the West Germans finally agreed to give the GDR a grant of DM300m for various projects: two are to reduce air pollution, two more for water pollution, one is a monitoring station for air pollution and the last is a waste incineration plant. West Germany is also going to finance the planned mercury-free chloride plant.

This West German support will no doubt help but, according to Mr Lietzmann, the real problem remains the weakness of the environmental voice within the GDR's political hierarchy. There is an environmental minister but he is not in the politburo and, indeed, is not even a member of the ruling Socialist Unity Party. Mr Guenter Mittag, the economics minister, speaks for environmental issues within the politburo.

According to Mr Lietzmann in theory the GDR has quite strict environmental laws "but nobody ever seems to be punished for breaching them". He speculates that the law-makers and the law-breakers are in effect the same people and that to date the strongest pressure on them has been to maximise output, regardless of the environmental cost. Finally that seems to be changing.

Relatively efficient shoe industry scrutinised by David Goodhart

A step ahead of other manufacturers

EAST GERMANS, it is said, can always recognise West Germans by their shoes. The western shoes are better made and do not conform to the half-dozen familiar designs of their own shoe industry.

However, it would be wrong to view the East German Shoe Kombinat as a typically inefficient East Bloc consumer goods manufacturer.

It is true that shoe prices are relatively high (except for children's shoes which are subsidised) and both design and quality are generally inferior to mass market products in the West.

But under the energetic direction of Mr Jochen Lezoch, widely praised by western businessmen, the Kombinat has become one of the more efficient manufacturers of consumer goods in the GDR. With about 47,000 workers it produces 90m pairs of shoes a year comparing reasonably well with the 70m produced by 33,000 workers in West Germany.

Mr Jurgen Poeck, one of Mr Lezoch's deputies, says the

There is a new spirit of adventure in joint products

GDR's consumer goods makers have a special responsibility to improve the quality and quantity of their goods (especially in the absence of imports). He admits that failings in this sector is one cause of "dissatisfaction among the people".

Mr Poeck maintains that plants within the Kombinat – vertically integrated to include raw material suppliers as well as shoe-makers – work with realistic prices and make profits and losses. Although, when asked if a firm could go bankrupt if it performed badly he said such an eventuality was inconceivable. According to western businessmen, Mr Lezoch has fought a bruising political battle to introduce incentive pay and productivity bonuses, which, Mr Poeck says, now accounts for about 20 per cent of the average worker's pay.

However, the effectiveness of incentive pay is limited by the lack of things for workers to buy and by riling some of his superiors in East Berlin Mr Lezoch may have won a pyrrhic victory.

Nevertheless his pragmatism and effectiveness seems to have impressed the authorities enough to allow him to extend his empire to include a cement factory. Some observers believe that such competitive empire-building by the best Kombinat chiefs could become a useful proxy for market forces.

However, even Mr Lezoch's relatively successful Kombinat illustrates many of industry's structural problems. According to western businessmen the Shoe Kombinat has only one computer numerically controlled (CNC) machine and the second will not be delivered until 1994; and despite its rather backward technology the Kombinat had only £2.5m to spend on western capital goods last year.

The fact that the Shoe Kombinat is not yet one of the privileged few to be allowed to bypass the Trade Ministry also means that those western businessmen who do want to sell it investment goods still face a discouraging battle with at least three layers of bureaucracy which often say different things.

Also the fear of open political channels to the West means that when the Kombinat does buy capital equipment

Design and quality are generally inferior to western products

from the West it usually has to waste a further slice (up to 10 per cent of the cost of the machine) of valuable hard currency buying a load of spare parts many of which are never needed, and most of which are anyway then lost in the Kombinat's one spare parts warehouse.

When one western businessman suggested that it would be cheaper and more efficient to leave a small deposit with the delivering firm and then call up whenever they needed a spare part the idea was laughed out of court.

But there has even been some opening up on the foreign relations front in recent years. The Shoe Kombinat has been making Salamander sports shoes under licence for the domestic market with some success.

And the unusual deal signed with the British United Machinery Group at this year's Leipzig Fair to build small shoe plants together, in third markets, suggests a new spirit of adventure in joint products; even if, as the UK businessmen privately admit, the main point of the deal from their point of view is becoming favoured machinery supplier to the Kombinat.

David Marsh reviews achievements in sport

Unrelenting effort to perfect a winning formula

Golden girl: Kristin Otto, the swimmer from Leipzig, was the star performer at the Seoul Olympic Games in 1988

SPORT in East Germany is indescribably more than a mere pastime. The roughly 3.6m members of the German Gymnastic and Sport Association (DTSB) are not just there to enjoy themselves, but are also training their bodies in the cause of peace, Communism and international understanding. Befitting a country which in many ways follows in the footsteps of Prussia, East Germany breeds and nurtures sports winners with a sense of perfection and discipline unique in Europe.

The archaic-sounding *Koerperkultur* – body culture – is still used in the language of East German officialdom. The slogan adopted to underline sport's association with the GDR's 40th anniversary – "Healthy and efficient! Joyful and optimistic! For peace and Socialism! Sport for All!" – has an unmistakable touch of authoritarianism about it.

The performance of top sportsmen and sportswomen is inextricably tied up with East Germany's perennial battle to establish a firm state of identity

In another sign of the linguistic differences between the two Germanys, the sports studios which have sprouted in West German towns in recent years are called "Body-Building" or "Fitness" centres. In the East, on the other hand, the official name *Kraftsport* is used to describe muscle-building exercises – and there is still a lingering justification that healthy bodies increase the German Democratic Republic's defence capacity.

The aim of establishing East Germany as a leading "Sportnation" (to use the official parlance) is unrelenting. Like the drive to take on the West in machine tools or electronic chip production, sport is an offshoot from political and industrial planning. The performance of top sportsmen and -women is inextricably tied up with East Germany's perennial battle to establish a firm state identity.

The hub of the effort is centred on the Deutsche Hochschule fuer Koerperkultur in Leipzig, which awards a sports teaching diploma after a gruelling four-year course. Roughly 95 per cent of schoolchildren take part in sports activities, going through an elaborate system of selection which starts at pre-school age. Champions are groomed systematically through a process of specific training and competitions, backed up by expert medical care. As part of general promotional efforts, Mr Erich Honecker, the East German leader, has selected Leipzig as a candidate to host the Olympic Games in 2004. In view of the city's run-down infrastructure, the candidature – where Leipzig will be competing, of course, with a number of West German cities – has prompted surprise, mixed with derision, in both East and West.

Football has been curiously neglected as a sport at which to shine – partly because individual brilliance as well as collectivist team effort are necessary qualities. But each medal won by East German sports stars at the Olympic Games and international athletics championships is a prop for East German self-confidence and legitimacy. Similarly, each setback for East German sport – ranging from the recent controversy about doping of athletes to the gaps left by the fleeing of sportsmen and

Football has been curiously neglected as a sport at which to shine — partly because individual brilliance as well as team effort are necessary qualities

-women to the West – has an effect on political morale spreading well beyond the stadia.

In spite of worries expressed in East Germany itself about possibly slipping standards, East German athletes surpassed themselves in the Seoul games in 1988. Their tally of 37 gold medals – each one bringing the winner a premium of Marks 30,000 – put East Germany second in the performance table, behind the Soviet Union. By contrast, the 12 members of the European Community managed just 34 golds between them. East Germany also fielded the most successful performer of the Olympics – Kristin Otto, the swimmer from Leipzig, who gained no fewer than six golds.

Katarina Witt: other top stars are following her lead by claiming fees in dollars or D-Marks

The proud feats at Seoul and the previous winter games at Calgary, however, seem to have marked a watershed. A number of the country's top performers – such as canoeist Birgit Fischer, shot-putter Udo Beyer and sprinter Marlies Goehr – have since announced their retirement. There is a good deal of concern about assuring the succession. The wave of departures to the West of young East Germans this year will not, except in a few specific cases, have any direct effect on grooming the new generation. But the exodus represents an extremely unfavourable psychological background for maintaining the sports drive.

Amid a flood of reports this summer about a lack of dynamism in the athletics team, no fewer than 41 East German medal-winners stepped down at the annual championships in July at Neubrandenburg. The East German sports world is looking ahead to the next Olympics in 1992 with less than whole-hearted enthusiasm.

Old distinctions between amateur and professional status are changing, too. Although the ideological overtones are no less prevalent, the economic aspects of sporting prowess are coming increasingly to the fore. Sports stars are singled out for preferential treatment in the granting of cars, consumer goods, clothes and apartments.

Katarina Witt, the figure-skating star who has become an international media symbol for the successful side of East Germany, has close personal links with the Communist regime and is rarely out of the government-controlled press. The granting of international advertising rights in East German stadia has already underlined the importance of hard currency. This was taken a step further with Ms Witt's debut in 1988 touring Europe

The wave of departures of young East Germans will not, except in a few specific cases, have any direct effect on grooming the new generation

in the American "Holiday on Ice" show. In the wake of the ice-skating star's feat in securing personal hard currency payment, other top East German performers are now starting to claim fees in dollars and in D-Marks.

The move illustrates how western practices are gradually permeating East Germany – one result of the general lowering of East-West barriers. In one important respect, it has cast light on some particularly ugly practices. The revelations made in western newspapers in recent months about widespread doping to boost East German athletes' and swimmers' prowess have nearly all come from sports performers who have crossed to the West.

The allegations cannot be proved in detail, but seem too numerous to be disregarded. Articles in West Germany's Bild-Zeitung this summer, centring on widespread doping allegations by Hans-Georg Aschenbach, a former East German ski star, were generally condemned in East Germany as "lies". However, the press spokesman of East Germany's National Olympic Committee admitted that there was, after all, some truth to the reports – a small sign that, even in the closed, perfectionistic world of East German sport, glasnost may slowly be on the move.

David Goodhart on the rise of the neo-Nazi movement

Fascism begins to pose a problem

IT IS not difficult to find people in East Germany who complain about the inefficiency, the authoritarianism, or the simple pettiness, of their system. Indeed, excluding party members (one eighth of the population), senior businessmen, and members of the security services, it is more difficult to find someone who will readily stick up for the system.

But co-existing with the complaints, the average East German – especially those over 40 – continues to feel a certain pride in the country's industrial and social achievements and in its anti-fascist tradition. Last month I was invited to the home of a chemical engineer in Leipzig and witnessed a part of that mixed feeling. The engineer's wife and son, who like the engineer himself are critics of the system and sympathetic to their fellow-countrymen flowing west, were watching West German TV – still, at that time, the only place where the westward flow was reported.

When some of the GDR's ageing leaders appeared briefly on the screen the son, aged 20, growled "fascists". His mother, in her late 40s, was angered by this glib remark and said: "Don't be a fool they fought against fascism, they suffered because of fascism."

The mother yearns for the wealth and freedom of the West Germans, and feels depressed and humiliated by her own country. But she is far more ready than her son to recognise its strengths – the welfare system, the lack of real poverty, the good provision for working women with children (better in some respects than West Germany as some former East German women have discovered in the past few weeks.)

She also accepts much of the official view of West Germany – that crime levels are high and that a large part of the population is broken by unemployment. The fact that she has a West German cousin who really has been broken by unemployment makes her apparent credulousness easier to understand.

There is a growing problem of neo-Nazi skinhead violence

And one thing that mother and son do agree on about the two Germanys is that the new far-right Republican Party in West Germany is no different to the Nazis and should be instantly banned; a view often repeated in the East German media. The GDR needs to conjure up new fascist threats to justify holding aloft the fraying anti-fascist banner. That historic cause is one of the few things that can still bind together the party leadership and even quite dissenting citizens, which makes it hard for the GDR to admit it has created fascists of its own.

But according to church sources there is a growing problem of neo-Nazi skinhead violence in some of the major industrial towns. The East German film-maker Mr Konrad Wolf, writing recently in a Polish newspaper, said that there were more than 1,000 convinced neo-Nazis in the GDR – mainly in East Berlin (where they have some links with neo-Nazis in West Berlin), Dresden and Leipzig.

The film-maker subdivided them into rebellious youths using the symbolism of fascism because of its shock value, and far more respectable "real" fascists who meet clandestinely to plan the new awaksning of Germany.

In the Orwellian logic of the authorities there can be no fascists in the GDR because it is an anti-fascist state and the social conditions for fascism have been eradicated. If there are a few youths who run around making Hitler salutes it is merely an "import".

But the authorities are worried enough to have ordered two studies of the problem from a special youth research centre in Leipzig.

According to researchers at the Gesamtdeutsches Institut in Bonn the official media first hinted at the neo-Nazi problem in 1987 when it reported the trial of half a dozen "rowdies". Hildegard Rohmer-Staenner, one of the researchers, estimates that since then about 80 or 90 young men – among them the children of senior functionaries and state security officials – have been convicted of neo-Nazi activities and most of them sentenced to five or six years in prison.

Some analysts fear numbers could grow quite swiftly

In prison they often become hardened in their beliefs. If you open a Praktica camera from the GDR, made by prisoners, it sometimes has a swastika chiselled on the inside. Their comrades outside continue, occasionally, to cause damage in Jewish cemeteries or daub swastikas on walls.

They are also responsible for outbursts of soccer violence and attacks on the increasing number of non-white guest workers from Vietnam or Africa. (Frequent visitors to East Germany say that many such immigrants, especially blacks, have to face routine racist abuse even from quite normal citizens.)

The problem must be kept in perspective. There are probably about 40,000 neo-Nazis in West Germany which, even allowing for the larger population, represents a far higher percentage than Mr Wolf's estimate for the GDR.

Some West German analysts fear that the numbers in the GDR could grow quite swiftly as a perverse form of protest movement, fostered by a system which is said to create authoritarian personality types. But the neo-Nazis are probably more important as a test of honesty. Will the GDR admit that people who are supposed not to exist in an anti-fascist state actually do exist?

Twenty years ago the GDR claimed it had no crime. It does indeed have far less crime than West Germany, although in factories an enormous amount of pilfering from the system goes on. The authorities no longer bother to deny that there is indeed some crime under "real existing socialism", but admitting that there is also some home-grown neo-Nazism may be tougher.

Opposition calls for a dialogue

Continued from Page 1

a "democratic dialogue" on vital questions and said New Forum would form a "political platform" for the entire GDR.

The latter aim bore the imprint of the group's co-founder, Mr Rolf Henrich, whose book "A State of Tutelage" (published in West Germany) resulted in his expulsion from the Party.

Some prominent East Germans who were asked to sign found the concept of a political platform too aggressive. Several writers refused to support the appeal, arguing that it was "senseless". But within two weeks of its formation, New Forum gained nearly 4,000 signatories, including many reform-minded party members.

Collecting signatures for the group was declared illegal

"If our association were legalised we could gain tens of thousands of supporters," Dr Reich said.

On September 18, New Forum's organisers in East Berlin and 11 district capitals applied for legal registration of their group as an association. Civil rights groups were never able to obtain official registration in the past and were able to exist only under the protection of the Protestant Church. New Forum, however, sought to widen its appeal and did not want to depend on the church for its survival.

Three days later, a terse statement from the Interior Ministry to the official news agency ADN said the goals of New Forum contradicted the constitution and represented a "subversive platform". Collecting signatures for the opposition group was declared illegal.

The charge of subvsrsion meant that organisers could possibly face prison terms of up to 12 years.

Shortly afterwards, Ms Bärbel Bohley, a co-founder of New Forum who was exiled for several months to Britain last year after taking part in a protest demonstration, was called to the Interior Ministry. She was told that her application to register New Forum in East Berlin could not be approved as the group was not "socially necessary". The subversion charge was not repeated but members of the group were to immediately cease activities.

Unlike the economic situation in Poland where the flood waters were "up to here" – Dr Reich pointed to his neck – in East Germany they were at chest level. "We are not talking about an economic collapse here. We have a reservoir of people who are discontented but who are ready to roll up their sleeves and work in a disciplined manner.

"But people are waiting for a signal. If it does not come we will lose our young people. With my moderate language I cannot get them to listen. We still have many middle-aged people who are ready to work if the party puts its cards on the table and does not sweep everything underneath. That is the chance we have."

East Germany, however, had to "radically open up and liberalise" if the confidence of the population was to be gained. Someone like Gorbachev who was capable of inspiring confidence would need to address the population in both Germanys over their respective TV channels. "He would have to tell us that the party admitted its errors and wanted to change things. He would have to tell West Germans that if they were truly German patriots they could not wish this country to be depopulated, to be bled white."

West Germany, he noted, would then have to respond by halting the influx of East Germans. This did not mean "tearing up" the constitution - which stipulates that there is only one German citizenship for all Germans. A reform-minded East German leadership would simply eliminate the rationale for West Germany accepting each and every East German who came.

Organisers could possibly face up to 12-year prison terms

Like most oppositionalists in East Germany he was in favour of a reformed socialist system for his country. But he admitted that the population at large was deeply sceptical that the GDR's brand of socialism was reformable.

Dr Reich noted his own paradoxical situation as a Catholic who in the past frequently worked in independent peace and human rights groups under the wing of the Evangelical (Protestant) Church.

"I rejected Marxism my entire life and now it looks as if I want to save it."

Copies of the leading Soviet reformist newspaper Moskovskiye Novosti, which are difficult to get hold of in East Germany, were strewn on his desk. Dr Reich had many friends in the Soviet Union after spending several years there with his family working on research projects.

His employer, the Central Institute of Molecular Biology, did not immediately react to his role in New Forum and would probably wait until after the October 7 celebration of the GDR's 40th anniversary. He was previously passed over to head a department because of his outspoken political views and was barred, despite his fluent English, from attending scientific conferences in the West.

If the organisers of New Forum refused to be cowed, the authorities had the option of putting them on trial or, more likely, deporting them to West Germany as was dons with previous opposition leaders. Either action would lead to an international outcry and further isolate the leadership. Choosing the third option – tolerating the opposition – would be the most difficult of all.

Leslie Colitt

East German Exodus*

	Total
1945-48	732,100
1949	129,245
1950	197,788
1951	165,648
1952	182,393
1953	331,390
1954	184,198
1955	252,870
1956	279,189
1957	261,622
1958	204,092
1959	143,917
1960	199,188
1961	207,026
1962	21,356
1963	42,632
1964	41,876
1965	29,552
1966	24,131
1967	19,573
1968	18,036
1969	16,975
1970	17,519
1971	17,408
1972	17,164
1973	15,189
1974	13,252
1975	16,285
1976	15,168
1977	12,078
1978	12,117
1979	12,515
1980	12,765
1981	15.433
1982	13,208
1983	11,343
1984	40,974
1985	24,912
1986	26,178
1987	18,958
1988	39,832
1989	+100,000

*By legal or illegal means

ARTS

Journey into the landscape

William Packer on the Paul Nash exhibition at Tunbridge Wells

One knows one is getting on a bit when the centenary comes round of an artist whose younger brother, John Nash, was a distinguished colleague with whom one split the life-class at an art school.

Twenty years ago Paul Nash was not exactly a forgotten man, but his reputation was dormant, his work more unfashionable than disregarded. Today his reputation has been restored in critical estimation to the level proper to one of the most gifted and original of English artists in this century. Of every major show in which his work figures, such as the Neo-Romantics at the Barbican or British Art at the Academy, he emerges as a star, while the major recent studies of surrealism mark him very much as an artist of truly international standing.

But whatever his critical importance, it is the work itself, seen for itself on its own terms, that is the more important. And whenever one sees anything of it, one is as surprised as delighted, for it is infinitely various. One always comes away wishing to see more, which is always a useful test. A major retrospective for the centenary might have been the expected tribute, but, for this very reason, I am not so sure it would have been appropriate. The small show at the Imperial War Museum last year, for example, of the studies and drawings he made of his experiences in the trenches in 1917 and 1918, and the great painting of the Menin Road that came out of it, was as memorable as any in recent years, small as it was. His work never suffers by the close and particular approach.

Now, at the Towner Art Gallery in Eastbourne, in its succession of tiny rooms, we have *Paul Nash: Places* (organised jointly with the South Bank Centre; until November 5, then on to York, Exeter and Colchester). It is a study of Nash the landscape painter, through his work at seven particular and favoured locations, from the garden of the family home at Iver Heath before the First World War, to the magnificent sequence of mystical landscapes at Boar's Hill, to which he returned during the last War towards the end of his life (he died, of the lingering effects of pneumonia in 1946). Modest, engrossed, concentrated, peculiarly and intensely English, this show is perhaps the truer celebration.

It follows a rough chronology, for the group of paintings and drawings of Iver Heath naturally comes first, followed by those of the Wittenham Clumps, the mysterious outliers of the Berkshire Downs above Wallingford, capped by the beech trees that make them visible for miles along the Vale. But there is much overlapping, for, once discovered, Nash would return to work at his places time and again. He first worked upon the images of the Clumps, for example, in 1911, and they were still haunting his visual imagination, seen at a distance through field glasses from the garden at Boar's Hill, in the 1940s.

It may be that of all the sections here, the two effectively devoted to the Clumps, early and late, carry for me the greater imaginative charge, for I too have known them all my life and sensed their peculiar presence. But, potent as they evidently were for Nash himself, he acknowledged the more general power the landscape held over him from the start, even as he worked away in the garden at Iver Heath. Much later, in his autobiography, he would admit as much: "It was undoubtedly the first place which expressed for me something more than its natural features seemed to contain, something which the ancients spoke of as *genius loci* — the spirit of the place . . . its magic lay within itself, implicated in its own design and its relationship to its surroundings . . . it seemed to respond in a dramatic way to the influence of light. There were moments when, through this agency, the place took on a startling beauty, a beauty to my eyes wholly unreal. It was this 'unreality' . . . this mystery of clarity which was at once so elusive and so positive . . . which from that moment drew me into itself and absorbed my life."

Such is the inner consistency in variety that is traced in this enchanted exhibition. In 1919 we find Nash in the Chilterns near Whiteleaf, in the early 1920s at Dymchurch, in the 1930s with his camera at Avebury and at Newent in Gloucestershire, where he discovered his Monster Field of fallen trees, and so back at last to Boar's Hill. And at every shift of place and apparent preoccupation, we recognise what he sensed intuitively, that numinous, informing presence, "at once so elusive and so positive," the essential spirit of the place.

The show achieves two great coups. The first is the bringing together of so much of the Dymchurch work, that celebrates the desolate, monumental sweep of the great sea wall. Coming so soon after the War, this work must seem in sort an epilogue, in both its bleak grandeur and its formal invention, to the work that came out of Nash's experiences in the Flanders trenches. If there is a major gap, a place missing in the itinerary, it is there in the Ypres Salient, where Nash the innocent symbolist was transformed into the mature and profound Romantic.

Second and even more spectacular is the great sequence of oil paintings, made in the garden at Boar's Hill during the War. These are the strange and megical landscapes, of the phases of the moon, of Michaelmas and the Vernal Equinox, globes hanging heavy in the sky above the hills and trees, redolent of Thomas Browne's night descensions and winter arches. Familiar as most of them are in public collections about the country, their collective authority is ae wonderfully surprising as it is impressive. Paul Nash was great artist.

Nocturnal Landscape, 1938: oil on canvas

The Magic Flute

COLISEUM

Changes of cast during seasonal long runs at London's opera houses are not normally of unusual interest to the general opera public (as opposed to the fanatics). But all the flags should be put out and loud-hailers brought into service for Joan Rodgers, who has taken over as Pamina in the current ENO *Flute*: it will take a great deal of effort to recall a more radiant or beautifully sung account of the role, in either house, for years and years.

Miss Rodgers, whose Nannetta in the ENO *Falstaff* already counts as one of the year's operatic treasures, has become a soprano of roseate freshness and round, poised tone throughout its compass — the promise of earlier years is being abundantly fulfilled.

The true Pamina portrayal combines technical assurance (in particular, a way of floating free of all the hideous difficulties with which the G minor lament is enmeshed), a spirited response to the words, and an ability to mark the development of the character from girlhood to womanhood in natural stages. Seldom do we see or hear those requirements so gladly and generously fulfilled. (The English-rose looks are also no handicap.)

The Nicholas Hytner production, which I welcomed when new (in March 1988), provides a splendid home for such a glowing heroine — this is the *Flute* in which Pamina takes the lead in the trials by fire and ice, and the simple dignity with which Miss Rodgers did so made the notion quite unarguable. I love the lack of clutter and baggage in its approach, the many touches of cheeky wit in Jeremy Sams's translation, the unpompous yet not uncultivated examination of Mozartian ideas contained within its frame.

Nicholas Folwell's chubby Cockney Papageno, first seen last year, returns to duties — warm and winning, though he can afford to project the spoken words with even more expansive timing and relish. Alex Ingram, who has taken over in the pit from Lothar Zagrosek, conducts a lively, unfussy account of the score.

The atmosphere in the Coliseum on Saturday — happy, friendly, full of audience good cheer — was almost as much of a delight to experience as the performance itself.

Max Loppert

Be your own Booker Prize judge

Booker Prize

If you would like to play an active part in this year's Booker Prize and perhaps attend the Dinner at the Guildhall on October 26 when the chairman of the judges (David Lodge) will announce the winner, follow carefully the instructions below:

First, obtain and read the six novels on the short list. They are: Cat's Eye by Margaret Atwood (Bloomsbury £12.95); The Book of Evidence by John Banville (Secker & Warburg £10.95); Jigsaw by Sybille Bedford (Hamish Hamilton £12.95); The Remains of the Day by Kazuo Ishiguro (Faber & Faber £10.95); A Disaffection by James Kelman (Secker & Warburg £11.95) and Restoration by Rose Tremain (Hamish Hamilton £12.95). Put the one you think most worthy of the Prize in the slot marked (1) on the coupon printed below and the two you consider nearest to it in slots (2) and (3).

Now cut out the coupon and attach it to AN EXTRACT OF NOT MORE THAN 250 WORDS FROM THE SPEECH YOU WOULD MAKE AT THE DINNER AS CHAIRMAN OF THE JUDGES EXPLAINING THE REASONS FOR YOUR CHOICE of the winner.

Send both the coupon and the extract in an envelope marked "Booker Prize Competition" to The Literary Editor, The Financial Times, Number One Southwark Bridge, London SE1 9HL to arrive not later than Thursday, October 12. The results together with a full report on the competition will appear in the Weekend FT on October 21.

The reader whose first choice represents the majority verdict and who, in the view of the literary editor gives the most cogent reason for the choice, will receive a cheque for £250 and an invitation for two to the Dinner. Other entries giving particularly strong reasons for their first choice will receive as consolation prizes copies of "Prize Writing" the anthology of short stories by past winners of the Booker Prize edited by Martin Goff, published by Hodder & Stoughton.

All choices must be recorded on the coupon. The competition is not open to members of the FT staff or their families. The Literary Editor's decision will be final and he cannot enter into any correspondence about the competition.

FT BOOKER PRIZE COMPETITION

My Choice:

1. ....

2. ....

3. ....

Entries to: The Literary Editor, "Booker Prize Competition" The Financial Times, Number One Southwark Bridge, London SE1 9HL

Vincenzo Gemito

SPOLETO

In the spring of 1873, Giuseppe Verdi and his wife were in Naples where the maestro was conducting the local première of Aida. Among his Neapolitan friends two of the closest were the painters Domenico Morelli and Filippo Palizzi, who introduced to Verdi a twenty year-old sculptor, Vincenzo Gemito, of great promise.

Desperately poor, Gemito was about to be drafted into military service; and — to help him buy exemption — the composer commissioned two portrait busts of himself and of Signora Giuseppina. Gemito first made two terracottas: the original of Verdi is now in the Villa Verdi near Parma; the original of Giuseppina — which she hated — is in the Museo Teatrale at La Scala, Milan. Both are vivid, vital works of evident genius. Gemito also supervised a bronze casting of the Verdi head, and — rivaled only by Boldini's later pastel — it is perhaps the most celebrated and most impressive portrayal of the master.

Another authentic cast of that Verdi bust was to be seen in a small, sensitively-selected and highly illuminating Gemito exhibition, recently mounted in Spoleto. And, in addition, a haunting little drawing, a sketch for the bust, was also on display, for the first time. For that matter, many of the drawings and sculptures assembled for this show came from private collections which for many years have jealously kept these works from the public eye.

Though most experts would now recognise Gemito as a great master in the line of 19th century Neapolitan sculptors like Bartolini and Dupre and Medardo Rosso, his work is not well known. Two museums — Capodimonte in Naples and the Museum of Modern Art in Rome — have good collections; and there is a famous "Fisher-boy" in the Bargello (two other versions were seen in Spoleto). But there has been little serious investigation of his development and achievement as an artist, and little systematic study of his work. The Spoleto show (with a superb catalogue edited by Bruno Mantura, the scholar who also was responsible for the exhibition) can therefore be considered an important first step. In 1992, when Naples will sponsor a great show dedicated to the Neapolitan 19th century (a sequel to the epoch-making exhibitions on the 18th and 17th centuries), a special section will be devoted to an exhaustive examination of Gemito's work.

In Spoleto what impressed, at first sight, was the series of terracotta busts: of the youthful painter Michetti, eager and vibrant, of Madeleine Duffand, Gemito's first companion, and several of the Neapolitan gamins, the scugnizzi, who were a constant and fruitful subject throughout Gemito's career.

It was a long career, marked by honours and patronage (the royal family bought an early work and ordered a table decoration, which proved a disastrous commission), and also by tragedy and intermittent mental illness. After Gemito's death, in 1929, his reputation was damaged further by a large number of fakes, by unauthorized casts and by unscrupulous dealings. Among the other praiseworthy aspects, this little Spoleto show represented a strenuous and successful effort in authentication.

From the start, Gemito clearly was a telling, secure draughtsman; his drawings, from youth to age, have a classical simplicity and at the same time an affecting humanity, along with what can only be called a Mediterranean warmth. The Neapolitan sun beats down on those sun-bathing urchins and those swarthy, ambiguous gypsy girls. Similarly, the finest of the portraits seem about to speak — and to speak in the wry, mordant dialect of Gemito's birthplace (particularly eloquent is the late bust of the dialect actor-writer Raffaele Viviani).

Italian music of the 19th century, after years of neglect and even contempt, has finally come into its own. Perhaps a similar future lies in wait for the Italian fine arts of the Ottocento. The Gemito exhibition in Spoleto may be a harbinger.

William Weaver

La Bayadere

COVENT GARDEN

The Royal Ballet'e season *began on Friday night with the* return of *La Bayadere*. The *marketing of this old ballet*, in Natalya Makarova's *sensitive* up-dating, as an "oriental extravaganza" seems to me to undervalue its merits. If andiences — and, I *suppose, dancers* — approach such a spectacular merely as an example of 19th century quaintness, a kind of curried *Giselle*, then the production will never know the eerionsness of interpretation, and gain the respect of the public, that it merits.

Of course there is an acreage of local colour and improbabilities implicit in the staging, but at its heart *La Bayadere* boasts sound drama, worthy of respect, and suhlimities of dance in the Shades scene which are nnrivalled in the repertory.

It was the failing of the opening performance, led hy Sylvie Gnillem, Darcey Bussell, Jonathan Cope, that at no moment did the drama convince, and the staging appeared uninhabited. It was the fascination of Saturday night's showing that Viviana Durante, Deborah Bull and Julio Bocca (making a most welcome return as guest) were inspired and inspiring, and *La Bayadere* grandly lived.

The dramatic credentials of the *piece have* been much improved this season by John Lanchbery. *He* has revised his editing of the Minkus score and *excised some of the more* egregious tootlings, notably in the D'jampe dance and in the Shades scene. And, invited now to conduct the Opera House orchestra, be obtained performances atmospheric, alert in rhythm, a proper basis for the stage action. His contribution went unheeded on Friday night.

Sylvie Guillem's Nikiya seemed to me bollow, lacking that precious inner life of the character — and of the dance itself — which establishes the truth of such classic ballets as this. Imagination, passion never touched the character, and remarkable as is Mlle Guillem's technique, it appeared uninvolved with *either Petipa or* Nikiya. *Darcey* Bussell is a gifted young dancer, and her Gamzatti delighted in the demands of the third *scene's pas d'action* (where hravura is all), yet the tensions of the great confrontation between Nikiya and Gamzatti went for nothing. And, in view of the unromantic decencies of Jonathan Cope's Solor, there seemed little reason for the two women to fight over him.

From the moment that Julio Bocca sprung on stage at the start of the hallet on the following night, the evening was alive. He gestured to a group of Royal Ballet chaps lurking inside their gorgeous costumes, a plush tiger was bronght on by retainers, and willy-nilly, we believed.

Thereafter, Bocca soared; touched every moment with feeling; deployed the full battery of male virtuosity with heart-lifting ease; and showed why he is a true and magnificent artist. He acts with entire communicative *force, telling us everything* about Solor — and how vivid *he was* in the final scene, arm extended in accnsation, as he realised that Gamzatti had brought about Nikiya's death.

His dancing, prodigious in effects, is the more so because of its beautiful freedom, its splendid scale, its clear, ardent *style. And in Viviana Durante* he finds a responsive, worthy *partner*.

Miss Durante made an impressive debut as Nikiya earlier this year. On Saturday night she claimed the role for her own. Liveliness of temperament, a willingness to let gesture open out and speak clearly to us, a *technique that* seems increasingly refined and brilliant, gave Nikiya *life*.

Miss Durante rose to the challenges of the death scene — her first entrance an impetnons run, the temple-dancer a flame in her red sari — as she did to the confrontation with Gamzatti, where Deborah Bull was a worthy and imperious adversary. As the Shade, Miss Durante found that touch of "holiness" that the part has known with the finest Kirov interpreters, which transforms and irradiates the dance to show us the vast horizons of the ballet. I thought her very fine.

Very fine, too, Deborah Bull as Gamzatti. A beautiful young woman, Miss Bull can command the stage as an actress and in the dance bravura of the *Grand Pas*. At every moment the characterieation *lives* in emotional and technical terms — a *noble* physical presence matched by largeness and ease *of movement*.

With performances such as these, the truth of *La Bayadere* as a work of art and not just an nnexpected snrvivor from ballet's more innocent days is *clear* to see. And we must, please, see much more of Julio *Bocca: such artistry is* very, very rare.

Sylvie Guillam

Clement Crisp

ARTS GUIDE

September 29-October 5

OPERA AND BALLET

London

Royal Opera, Covent Garden. The *new attempt* at a Royal Opera Ring opens with *Die Walküre*, in a production by Götz Friedrich adapted from his Berlin staging. Bernard Haitink conducts, and the cast includes *James Morris*, Gwyneth Jones, René Kollo, and *Gabriele Schnaut. Final performances of Rigoletto*, with Ingvar Wixell, Leontina Vaduva and Jerry Hadley, conducted by Sian Edwards.

English National Opera, Coliseum: English National Opera, Coliseum: Kurt Weill's magnificent Broadway opera *Street Scene* comes to London after being shown by Scottish Opera earlier in the year. David Pountney's production, designed by David Fielding, is conducted by Carl Davis; the cast includes Kristine Ciesinski, Janis Kelly, Bonaventura Bottone and Richard Van Allan. Further performances of the surreal, vividly theatrical production of Verdi's *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor *Mark Elder*) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revival of *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell.

Paris

Théâtre de la Ville. Jiri Kylian and the *Nederlands Dans Theater* come with s programme often influenced by Czech folklore and Slav nostalgia (42742277).

Théâtre des Champs Elysées. *Der Rosenkavalier* is performed by the Paris Opera Orchestra, conducted by Georg Schmoehe in a new production, co-produced by the Théâtre Des Champs Elysées, the Montpellier Opera and the Nantes Opera (47208637).

Vienna

Staatsoper. *Rigoletto* is conducted by Leopold Hager with a cast including Patrizia Pace, Waltraud Winsauer, Hans Christian; *Chowanschtschina* by Mussorgsky is conducted by Claudio Abbado with Ludmila Schemtschuk, Heinz Zednik and Joanna Borowska; *Der Rosenkavalier*, conducted by Silvio Varviso, features Gundula Janowitz, Margareta Hintermeier, Helmut Wildhaber. *Tosca*, Conducted by Fabio Luisi, is sung by Maria Zampieri, Peter Dvorsky and Goran Taddei; the cast of *L'Elisir d'Amore* includes Alida Ferrarini, Noriko Sasaki, Rolando Panerai.

Volksoper. Operas and operattas this week: *Die Zauberflöte, Der Opernball, Die Csardasfürstin, Die Fledermaus, Der Freischütz, Die Zirkusprinzessin, Mignon*.

Berlin

Opera. *Rigoletto* in Hans Neuenfels' production, features Gwendolyn Bradley, Barbara Vogel, George Fortune, John Sandor and Gerd Feldhoff. *Die Zauberflöte* is sung by Lucy Peacock, Elfie Hobart, Ryszard Karczykowski, Christian Boesch, GudrunSieber and is conducted by Heinrich Hollreiser. *Tosca* stars Natalia Troitskaya in the title role, Franco Bonisolli and William Dooley. *Zar und Zimmermann* rounds off the week.

Hamburg

Opera. *Romeo and Juliet* has wonderful John Neumeier choreography. In honour of the choreographer Jose Limon, three of his ballets are also performed. The performance of *Der Liebestrank* has a particularly impressive *cast including Hellen Kwon*, Kurt Streit, Alexandru Agache, Rolando Panerai and Gabriele Rossmanith.

Bonn

Opera. *Aida*, directed by Jaques Carpo is expertly conducted by Bonn's music director Dennis *Russell* Davies and has an extremely strong cast with Rosalind Plowright, Lando Bartolini, Livia Budai and Jean-Philippe Lafont.

Frankfurt

Opera. *Der fliegende Holländer* has a strong cast led by Seppo Ruohonen, Manfred Schenk and Lisbeth Balslev. *Il Barbiere di Siviglia* returns with Marianne Rorholm, Michal Shamir, Bruce Ford, Enzo Dara, Alexandro Corbelli and Natale de Carolis. *Un Ballo in Maschera* has guest singers Lubica Rybarska, Bruno Beccaria, both prize winners of the Pavarotti competition. A Margaret Price Lieder recital with pianist Graham Johnson closes the week.

Cologne

Opera. *La Traviata* features Janice Hall, Fernando De La Mora, Paolo Coni and Erlingur Vigfusson. *Madame Butterfly* is sung by Hiroko Nishida, Tone Kruse, James Hobeck and Jake Gardner. Also the rarely played one act operas by Rossini *La Gambiale di Matrimonio/Il Signor Bruschino* with John del Carlo, Teresa Ringholz, Janice Hall, David Kuebler, Alberto Rinaldi and Carlos Feller.

Naples

Piazza del Plebiscito. An outdoor "festa" of music and dance sponsored by the Banca di Napoli and *major* Italian state holdings and broadcast in Eurovision. An immense variety of styles in both music and dance. The latter includes performers in a field of their own, such as Lindsay Kemp, and works by choreographers linked in some way with the city, starting with Bournonville's *Napoli*. Performers include Moses Pendleton's Momix group, *Carla Fracci, Elisabetta Terabust*, Vladimir Vassiliev and Ekaterina Maximova, Daniel Ezralow and Peter Schaufuss (info. 402721).

Milan

Teatro Nazionale. The Scala ballet company in *Les Sylphides*, Balanchine's *Apollon Musagete* and Birgit Cullberg's *Signorina Giulia*, with piano accompaniment by Michele Fedrigotti (4396700).

New York

Metropolitan Opera. James Levine conducts the opening gala *of Aida in Sonja Frisell's* production with Aprile Millo, Placido Domingo and Sherrill Milnes, in e week that also includes *Porgy and Bess* with Priscilla Baskerville and Larry Marshall and Teresa Stratas in Puccini's *Il Trittico (Il Tabarro, Suor Angelica* and *Gianni Schicchi)*, all conducted by James Levine. Opera House Lincoln Center (362 6000).

New York City Opera. The week includes the first performances of *Die tote Stadt* in a decade with Frances Ginsburg as Marietta, John Absalom as Paul and Stephen Dicksoo as Fritz in Frank Corsaro's production conducted by Klaus Weise; *Die Zauberflöte* conducted by Scott Bergeson in Lofti Mansouri's production with Elizabeth Hynes and Walter MacNeil; *Rigoletto*; and *Madama Butterfly*. Lincoln Center New York State Theatre (877 4700).

Martha Graham Dance Company. One of America's premiere modern classic theatres perform mixed programmes from their extensive repertory. Ends Oct 22. City Centre (581 7907)

Washington

Pacific Northwest Ballet. Return engagement features the world *premiere of Firebird* choreographed by co-artistic director Kent Stowell, among works by Balanchine, Paul Taylor and the other co-artistic director Francia Russell. **Joffrey Ballet.** Fortnight's engagement celebrates Nijinsky's 100th birthday with the first Washington performances of *Le Sacre du Printemps* and *Les Noces*, as well as a world premiere by company artistic director Gerald Arpino. Ends Oct 15. Kennedy Centre Opera House. Kennedy Centre Opera House (254 3770).

Haydn

FESTIVAL HALL & RADIO 3

A happy featnre of this season's programmes *in all the* South Bank halls is the unusually large number of concerts devoted entirely to the music of Haydn. This composer still suffers in Britain the hideous and incomprehensible misfortune of being semi-neglected — by concert-givers and concert-goers alike. If anything can set the situation right, it will be concentrated programming of this kind — allied, of course, to the sort of first-rate Haydn playing and singing heard in Sunday night's concert.

The performers were the BBC Welsh Symphony Orchestra and Chorus, under Frans Brüggen. The main work was the *Missa in angustiis* (known, of course, as the *"Nelson" Mass*); *from first note* to last, the effect of freshness, fervour, and *stylistic accord* between music and musicians was sustained. The exceptionally fine quality of the orchestra was noted during this year's Proms. The chorus seems entirely without slackers or passengers, a thrillingly sonorons, well-balanced body to shame almost all of the large London choirs on current form.

And Brüggen, founder of the Dutch "period" band known as the Orchestra of the 18th Century, unerringly found a way of coaxing from these *modern-instrument forces the* properly Haydn-esque combination of intimacy and robnstnese. This wae a performance which emphasised, in the most musicianly and unsensational way, the originality of the "Nelson" Mass — its mixture of hlunt and elaborate melodic phrases (Eiddwen Harrhy, no longer pure-voiced but as commanding as ever, was the all-important soprano soloist), its masterly harmonic movement, the way Haydn sets np and releases dramatic tensions on a large scale. The balance of forces was just about ideal. The sense of the music being placed first by all participants was precious.

In the first half Brüggen conducted two small choral rarities, and then an account of the "Military" Symphony distinguished by the sama unforced vitality that was to *mark the Mass. The orchestra*, with its first and second *violins* properly separated, made a wonderfully vital, singing sound: all the well-known surprises and sleights-of-hand sounded new minted, a controlled explosion of colour and energy. More concerts of this sort, and the Haydn battle would soon ba won.

Max Loppert

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Tuesday October 3 1989

Egypt's peace efforts

A CURIOUS PARADOX surrounds current peace moves in the Middle East. On the one hand, habitual optimists such as President Hosni Mubarak of Egypt are telling the world that Israel and the Palestinians are closer than at any time in 22 years to holding negotiations on the future of territories occupied by Israel in the 1967 Arab-Israeli war.

On the other, the chief protagonists – and especially Israel – are still experiencing immense difficulty in agreeing on the first step. Yet the time is approaching when procedural wrangling will have to give way to decisions of substance, and when outside powers will have to consider whether to give the process fresh impetus.

The immediate question is whether there is any life left in the peace initiative of Mr Yitzhak Shamir, the Israeli Prime Minister. Just conceivably, an answer may be provided on Thursday, when Israel's Cabinet is to consider an Egyptian mediation proposal.

The Israeli plan, which proposes *inter alia* elections in the occupied territories to choose representatives for talks with Israel on interim self-rule, has enjoyed solid support from Israel's US ally since it was launched by the coalition Government in May. But repeated American efforts to secure an unqualified green light for the plan from Arab states or from the Palestine Liberation Organisation have not borne fruit.

Fog of ambiguity

From the start, the Israeli initiative has been surrounded by a fog of ambiguity. This is its main advantage as far as Mr Shamir is concerned, but also its chief drawback for the Arab interlocutors he wants to engage.

For an Israeli Government which is deeply divided about the occupied territories, the plan represents a minimal consensus which enables each of the principal parties – Likud and Labour – to tell its supporters what they want to hear. Both agree that there should be no talks with the PLO and no independent Palestinian state. But Mr Shamir insists that the proposals entail no territorial concessions to the Arabs, while Labour ministers promise an eventual exchange of land for peace.

For a while, the US was inclined to portray this ambiguity as constructive to its mediation effort. But the argument began to wear thin in July, when Mr Shamir's Likud party attached a string of conditions to the initiative that virtually guaranteed it would remain still-born. Since then, Washington's enthusiasm for the role of honest broker has noticeably waned.

So it has fallen to Mr Mubarak to attempt to resuscitate the election plan by arranging talks between Israel and a Palestinian delegation composed of people from within and outside the occupied territories. In particular, he has formally asked the Israeli Government for a number of "clarifications" about the proposed poll.

Clever questions

The fact that Egypt is using its weight in this way is in itself welcome, although, as Mr Mubarak will no doubt have reminded President Bush at the White House yesterday, Egypt's effort should not be seen as a substitute for forceful American diplomacy.

Moreover, Mr Mubarak's questions are cleverly framed to put Mr Shamir on the spot concerning a number of important points about the proposed poll – notably the sensitive question of whether East Jerusalem residents are to be allowed to vote – as well as the bigger issue of the future of the occupied territories. The Israeli Prime Minister is constantly talking about the need to build on Israel's 1978 Camp David accords with Egypt: here is Egypt setting out – in terms that the Labour Party leadership can broadly accept – the *only conceivable way* that such a process can occur.

This does not, of course, make Mr Shamir any more likely to accept President Mubarak's arguments. But the Egyptian effort should help to blow away some of the verbiage surrounding Israel's election initiative. Eventually, it might even help to focus Israeli minds on the question of whether a lowest-common-denominator Government is equipped to deal with the vital issues facing the country.

Expanding the universities

MR JOHN MACGREGOR, the UK Education Secretary, expects the proportion of young people entering higher education to rise sharply over the next few decades. He told vice chancellors last week that 23 per cent of 18-year-olds might enter universities and polytechnics by the end of the century, compared with about 15 per cent today. Looking ahead, he reiterated Mr Kenneth Baker's prediction that numbers might double within 25 years.

The suggestion that higher education should gear itself for a significant expansion is welcome. Britain has increased its undergraduate population in recent decades. In the 1950s, only about 3 per cent of 18-year-olds went to university. But the UK has failed to keep pace with expansion elsewhere. In the US, 25 per cent of young people graduate with the equivalent of a British university degree and a further 12 per cent earn diplomas at a lower level. Japan produces a similar proportion of graduates. South Korea has already comfortably exceeded the UK's target for the year 2000.

Outdated demarcation

The case for expansion is thus not in doubt. But there is room for debate about the form that expansion should take. It matters little whether the institutions which receive the extra students are called universities or polytechnics. Indeed, the strict demarcation between the two sectors no longer serves much purpose. What does matter, however, is that the institutions in both sectors offer degree courses which cater to the needs of an expanded student population. The tradition in Britain is for students to study one subject for three years. This is made possible by the narrowness of the sixth form curriculum, which usually involves the study of only three subjects for examination. The single honours graduate is then regarded as professionally qualified in his or her subject.

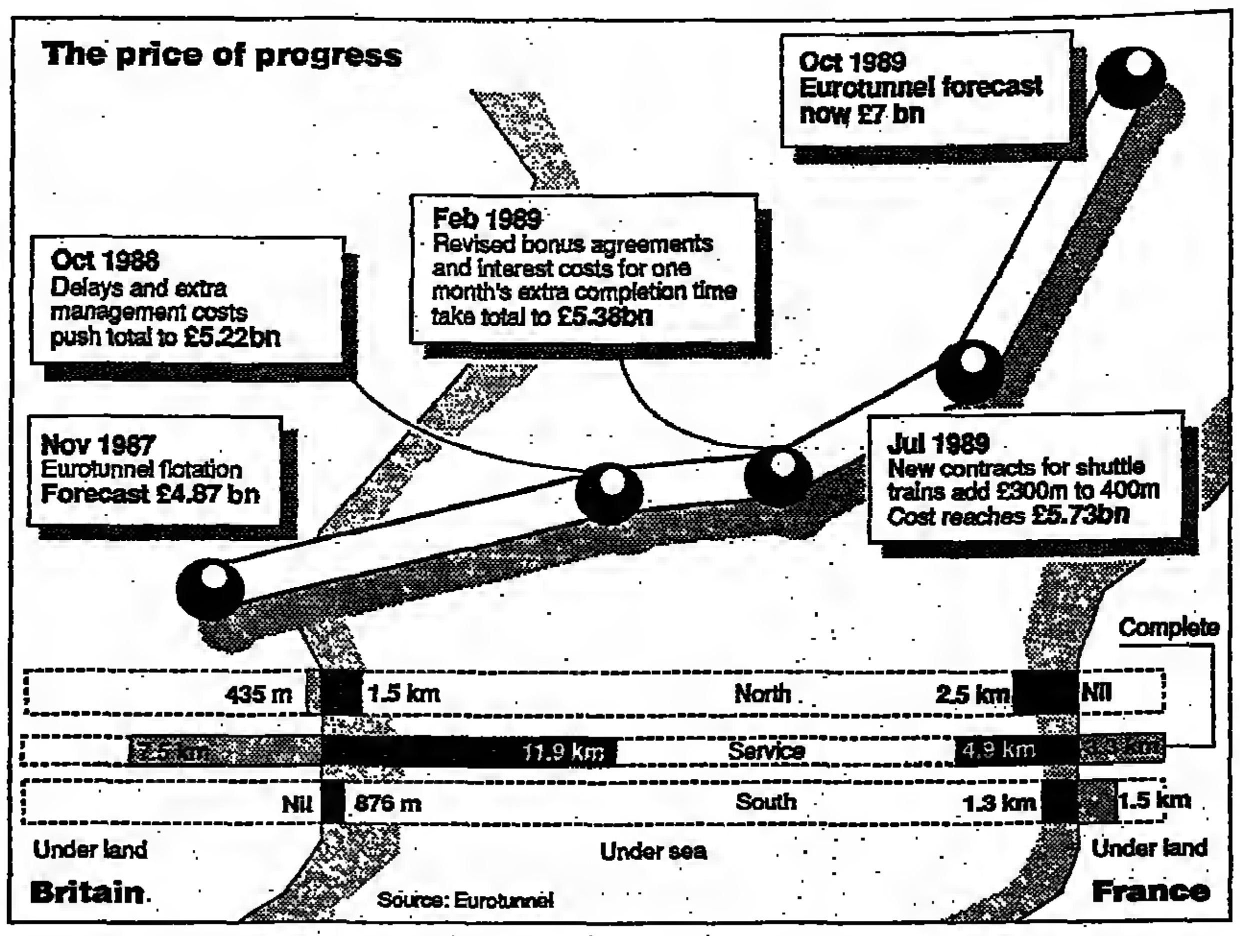
This approach to university study will have to change. In the first place, attitudes towards sixth form education are changing rapidly. The curriculum is likely to be significantly broadened, both to make the sixth form accessible to a wider range of pupils and to bring the UK into line with best practice abroad. The upshot is that pupils' knowledge will be spread more thinly. Universities would be wise, therefore, to shift their output towards the kind of broadly based undergraduate degrees available in most other developed countries.

Jobs market

Such an education would serve the interests of the majority, who enter the jobs market immediately after graduation. It would also oblige British universities to drop the pretence that an undergraduate degree can provide a full professional training: the minimum accepted qualification for the professional economist or historian would become a master's degree or doctorate, as is already the case in the US.

The expansion of higher education seems likely to lead to a welcome postponement of specialisation. This, in turn, is likely to increase the pressure for longer periods of study. The creation of robust financing mechanisms for higher education thus becomes a priority. The Government argues that the sector is already generously funded: cash for expansion must be raised from the private sector. Universities and polytechnics should certainly continue to diversify their sources of revenue. But it is far from clear that a *doubling* of the student population can be accommodated without an increase in the share of public spending absorbed by the universities.

The Government is critical of higher education elsewhere in Europe, which it regards as bureaucratic and inefficient. The role model it favours is the diverse, entrepreneurial US university *system*. Fair enough. But ministers should recognise that the model they favour is not a cheap option. In the US, public expenditure on higher education absorbs 2.5 per cent of gross domestic product; the figure for Britain is around 1 per cent. The present plan, therefore, is to move towards US participation rates but to maintain the cost-base of the present élitist system. Such a policy will either fail or result in a big reduction in the quality of university education.



Source: Eurotunnel

Forced to dig deeper for cash

Andrew Taylor, David Lascelles and Will Dawkins report on the sharp rise in the costs of the Channel Tunnel

Seventy feet under the seabed, the Channel tunnel is painfully inching its way out from the coasts of Britain and France. It is noisy at the cutting head, and soaking wet. Water drips incessantly through the cracks and fissures of the chalk. Even on a good day, progress is measured in metres; on a bad day, in centimetres.

Bad days for Eurotunnel, the Channel Tunnel group, also happen above ground. In his office near Buckingham Palace in London, Mr Alastair Morton, Eurotunnel's joint chairman was facing one of them yesterday.

He was having to anounce that the project – bedevilled by tunneling delays and rows with contractors – will now cost at least £2bn more than was forecast when digging began 21 months ago.

Worse, Eurotunnel cannot even agree with its contractors or its bankers how much the extra bill will come to.

The tunnel was originally forecast to cost £4.87bn. Eurotunnel says costs have risen to approximately £7bn. Transmanche, a consortium of five British and five French construction companies contracted to design and build the tunnel, says it will cost about £7.5bn.

Technical advisers to the 200 international banks which have agreed to provide Eurotunnel with £5bn of loans and standby credits have warned that costs could rise as high as £8bn if things continue to go wrong.

Even the lowest estimate of the over-run, however, means that in less than two years the project's costs have risen by 46 per cent. The increase stems from:

● Tunneling delays. Poorer than expected ground conditions under the English coast led to expensive delays last summer and modifications to tunnel boring equipment. The delays have led to big management changes at Transmanche (and some at Eurotunnel). The date for opening the tunnel has already been put back by one month to June 1993.

In the past year, digging rates have, in general, improved, but poor ground conditions still hamper work on the two main railway tunnels from the British side. Progress is expected to improve as the tunnels get further away from the coast.

Mr Morton says the contractors have been slow to make modifications to their tunnel boring equipment even after their experiences of last year. According to Eurotunnel, the cost of tunneling has risen from £1.33bn to £1.73bn since November 1987.

● General building industry inflation. In November 1987, Eurotunnel forecast that building costs would rise by 4.5 per cent in 1988. In the event, construction costs in south-east England rose by between 15 per cent and 20 per cent.

● Higher than expected prices for the shuttle trains to carry cars, lorries, coaches and their passengers through the tunnel. Originally, the cost of the trains was estimated at £245m. When the contracts were awarded to two European consortia, in July this year, they were for £600m. Mr Morton also reports higher than expected costs for safety and fire-fighting features on the trains – such as fire doors able to contain smoke and flames for at least 30 minutes.

● Cost increases in the Tunnel railway itself. This is a particularly sensitive area, because it is covered by a fixed price contract. In principle, the construction firms must bear the burden of any cost over-run (above normal inflation) on this part of the project. The contract for these works – design and construction of the rail terminals at either end of the tunnel, fitting out these buildings and installing signals and communications in the tunnels – was originally forecast to cost £1.14bn at 1985 prices. Transmanche says the cost has risen to £1.86bn, but this is due to changes made by Eurotunnel, for which the Channel Tunnel group must pay. Eurotunnel says it is only prepared to accept responsibility for £1.48bn; the contractors must bear the rest.

The difference between the two sides, after adding interest charges and inflation on building costs, is about £600m to £700m. According to Mr Morton, this could make the difference between the contractors making a profit or breaking even or even making a small loss.

He says the contractors were responsible for preparing the original forecasts of construction costs and

In less than two years the Channel Tunnel's costs have risen by 46 per cent on even the lowest estimates

must shoulder most of the blame for cost increases. "Did the contractors sufficiently clearly think out what is involved in equipping a tunnel," he says, "when you can only get into it from either end and when for a fair part of the time the tunneling is still going on down there?

"The answer is that they did not think it out clearly enough and that is one of their agonies."

Mr Morton agrees that Eurotunnel has changed some specifications, but nowhere near the number claimed by the contractors. "We reckon we changed a few and we have made a provision for that. The difference of opinion is: how much is it really going to cost, and how much is Transmanche worried about cost, and what profit are they looking to restore?

"The question is: what is it really going to cost? How much is for their account and how much is for ours? It is not for our account unless we ordered the changes."

This issue is one of the two matters which must be resolved before Eurotunnel can go ahead with its plans to raise more money from shareholders – through a rights issue – and bankers, in the early part of next year. The *other outstanding matter is* to *for the* contractors and Eurotunnel agree a ceiling for future tunneling costs.

As for the third cost estimate – from the bankers' advisers – Mr Morton says that includes contingencies for problems which have yet to occur.

"If all the advisers' assumptions were accepted, there would be no way the banks would provide a penny extra finance," said Mr Morton. He *knows that outcome is extremely* unlikely. The banks could not afford to let the tunnel fail.

They have already made over £850m in loans to Eurotunnel, of which £650m has been spent. If the project collapsed there would be no way of getting any of this money back.

Neither banks or shareholders can expect the British and French governments to bail them out. The Channel Tunnel Treaty, at Mrs Thatcher's behest, prohibits state money being provided for the tunnel.

None the less, the scale of the problem facing Eurotunnel and its lenders should not be over-estimated. At first sight, indeed, Eurotunnel does not appear to be facing a financial crisis: it has access to £5bn of bank finance, most of which is still intact. Much of the money it has spent so far has come out of the £1bn of equity raised when the project was launched in late 1987. Its 200 bank lenders are also holding £200m of Eurotunnel's own cash as security.

The project is too important to be allowed to fail, however, and it is now too far advanced to do so

The crunch has come, however, *because* the *loan agreement stipulates* that Eurotunnel must always have at hand sufficient finance to cover the entire projected cost of the tunnel. And at over £7bn, that cost now exceeds the £6bn of finance available.

This puts a tough financial discipline on the project. But by the same token it gives comfort to the banks because it sends out early warning signals. This would explain why there was less of an air of anxiety among bankers yesterday than might have been expected, and why they have refrained from calling the project into default, which technically they now could. Furthermore, the likelihood that Eurotunnel was going to need more cash had been obvious to bankers for some time: no project of this size has ever been completed without needing extra money.

"Everyone is being very positive. It's a question of finding the best way forward," said a spokesman for National Westminster Bank, one of the two leading banks on the UK side. He said the banks agreed with the analysis presented in Eurotunnel's announcement, which included the board's confident assertion that "satisfactory financial arrangements" would be put in place early next year.

French bankers also greeted the news with sang-froid.

"This is serious but it's no drama," said Mr François Lagrange, a director of Crédit National, one of the main providers of Eurotunnel's £5bn loans. "It is not exactly abnormal that one has to recalculate some elements of a project as large and as unique as this.

"Remember, there is one favourable element. At least the *construction* itself is still not far from its original schedule."

However, it will not be possible to predict the terms on which Eurotunnel can raise the additional cash until it has settled its disagreements on cost over-runs with Transmanche. Because of that, both British and French bankers were reluctant to comment publicly on the state of play yesterday for fear of aggravating the tensions between the tunnel's owners and the contractors.

Some bankers feel that Mr Morton has not been tough enough on cost over-runs, and they intend to reinforce the need for financial discipline in their negotiations. But some also see Mr Morton keen to generate a sense of crisis in order to drive home the message more effectively. Mr Morton himself yesterday used the phrase "high grade poker game" to describe what has been going on.

However, the indications yesterday were that banks were exacting much tougher conditions for new money. While they granted loans equivalent to five times equity in the original funding package, the new package will contain only three times whatever new money Eurotunnel manages to raise from investors.

The fact that costs have risen so fast, and so unexpectedly, reflects little credit on Transmanche or Eurotunnel. The project is too important to be allowed to fail, however, and it is now too far advanced to do so. Even if Mr Morton has to go through yet another round of money-raising, a year or two from now, to cope with yet further revelations of rising costs, the Tunnel will be built.

But the troubles of the Tunnel itself may well hamper the British Government's hopes of using this project to launch an era of large-scale privately financed infrastructure projects. The most immediate and conspicuous victim may be the attempt by British Rail, urged on by the Transport Department, to raise private finance to build a high speed rail link between London and Channel tunnel.

Estimates of the cost of building the high speed rail link have soared from the original forecast of £1.2bn to more than £3bn at current prices. The final cost, if inflation and interest charges are included, is likely to be in excess of £6bn. Eurotunnel's experience is unlikely to encourage the private sector to raise this extra cost without some kind of public sector support.

OBSERVER

Money in the freezer

■ Patricia Grant and her husband, Alex, make small freezers at their plant near John O'Groats. They are the biggest manufacturers of such products in Europe and, being so far from the heart of the British market, about 75 per cent of their output is exported. The company is called Norfrost.

Current annual turnover is running at around £20m, profits at £2m-£3m. A 60 per cent expansion is planned for the next two years, all in the same home base of Caithness. The Grant husband and wife team are joint managing directors. Patricia Grant is also the chairman. She and her husband each own 50 per cent of the shares.

They intend to keep it that way for the time being. "When we're finished," said Patricia yesterday, "we plan to give it to the workers through a trust." The work force is now about 220, which is a big number for Caithness.

Not only does Norfrost make the freezers; it makes the components and the machines that produce the components. It also looks after its own transport distribution. "We have 33 transport trailers," Patricia Grant said.

The Grants used to run the local electrical store in Castletown. They went on holiday to Devon and came across a firm profitably producing freezers. Devon seemed about as *remote as Caithness*, so they took the idea back to Scotland, first by co-operation with the Devon firm, then on their own. Norfrost began its own production in 1972.

The company has not been very successful at securing government subsidies. "We applied for everything that's going – regional aid – or whatever, but I doubt if we've had more than £400,000 over the years. It all seems to go to screwdriver industries," Mrs Grant says, "so we started with nothing and just had to work day and night."

This week she gets some recognition. She will be named the first woman winner of the Captain of Industry Award, the premier industrial prize to come from Scotland, though it is not confined to Scots or Scottish firms. Previous Captains have included Sir Campbell Adamson and Sir Matthew Goodwin. The prize comes from the Livingston Industrial and Commercial Association, or LICA.

After she receives the prize on Friday, she is off for a 10-day tour of Saudi Arabia, the Gulf States and India – selling freezers, of course.

Communist loss

■ The booming property market in Madrid still has its pitfalls for the uninitiated: for example, the Spanish Communist Party.

The party thought it had beaten capitalist speculators at their own game when it sold its headquarters in June to an insurance firm for the equivalent of £6.6m a decade after having bought the four-storey building for £1.1m. This week the insurance company has been offered £10.3m for the same property.

The party has other woes. It had agreed to vacate its headquarters by November 1, but has had no time to move because of the snap general election called for October 29. Nor has it yet anywhere to move to.

Its proposed new home, less than half the size of its erstwhile headquarters and acquired for £1.8m is nowhere near ready and the party faces paying a huge penalty fee for continued occupation of its present building.

To top it all, banks have been tight with their loans to all parties for the election campaign. The Communists have only £1.5m to spend on the hustings, their lowest ever electoral fighting fund.

"That's capitalism," said a member of the party's finance committee after he told the story.

Or is it communism?

"He can be unilateral enough when he chooses."

Chairs galore

■ Professor Roland Smith – probably best known nowadays as tha chairman of British Aerospace – also chairs the Millennium Project at the University of Manchester Institute of Science and Technology (*Umist*), where he *is* a (part-time) professor of marketing.

Not many people know that, because the project is only being launched today when Norman Fowler, the Employment Secretary, will preside at a lunch in London.

The idea is to raise £25m from industry for Umist by the year 2000. Perhaps it is not as hard as it sounds, for some £5m has already been committed from 30 companies. Half the money will fund teaching posts; the rest goes to capital improvements.

The committee includes five other chairmen: Sir David Alliance of Coats Viyella, Sir William Barlow of BICC, Christo*pher Harding of British* Nuclear Fuels, Donald Parr of William Baird and Gerald Ronson of Heron. Keith Oates, Marks and Spencer finance director, makes up the numbers with Professor Harold Hankins, Umist's Principal.

Smith's appeal is to long-term self-interest: British Nuclear Fuels has put up *money for chemical* engineering course development and research while AMEC, the construction and property group, is backing a chair in project management.

In a way, it is a return to the past. Umist grew out of the Manchester Mechanics Institute, founded by the mill owners of 1824 to train the engineers to build and service the looms of the industrial revolution.

Businessmen are also splashing out at Nottingham. John Gunn, the chairman of British & Commonwealth, has put up over £500,000 for the University's new Institute of German, Austrian and Swiss Affairs. Gunn is a former student of German at Nottingham and a University opening bat. Mrs Thatcher, who has her own attachment to Austria and Switzerland, opened the Institute on Friday.

Indeed the Prime Minister's present enthusiasm for education seems to know no bounds. Yesterday she launched the official memorial to Harold *Macmillan: a trust to support* education in developing countries. As many surviving members of the Macmillan family as possible were invited to Downing Street to celebrate.

Bad apples

■ As a colleague bit into her first Cox's Orange Pippin of the season, a fellow luncher asked her: "What's worse then finding a maggot in an apple?" "Finding half a maggot."

FOREIGN AFFAIRS

For Soviet democrats, the danger is despair

Edward Mortimer, reporting from Leningrad, discovers an alarming mood of pessimism. But, he argues, self-criticism is not enough

"WE DON'T regard perestroika as a real change, just as a modification of the totalitarian system . . . The system is not reformable . . . We're not saying there are no changes at all, but these changes are internal to the system. Their goal is the strengthening of the existing system."

The speaker, Yekaterina Podoltseva, is a leading member of the Democratic Union in Leningrad, perhaps the city where this uncompromising opposition movement, heir to the "dissidents" of the previous generation, has had the greatest impact. There is a power cut and the lift is not working in the high-rise block where she lives, interchangeable with thousands of other blocks all across the Soviet Union. Four visitors from England have climbed nine storeys to sit in the semi-darkness of her cramped apartment, peering at her with mixed anxiety, incomprehension and impatience. She is used to it: "People come from abroad and try to make us love Gorbachev. We know all about Margaret Thatcher and her admiration for him."

She goes on: "Social systems, like natural organisms, have their different stages of development. This system has reached a stage where Stalin-type terror is no longer needed to maintain it. They have discovered that it is necessary to allow the people a certain amount of freedom to make the system work . . ."

"The Baltic states are occupied territory . . . We do not consider them part of the Soviet Union. We favour the disintegration of the empire. Any people should have the right to secede. The totalitarian system is breeding national conflicts. Gorbachev is leading the country in the direction of fascism."

But surely (we interject) these conflicts are making life more difficult for Mr Gorbachev? "Oh, poor little Gorbachev! No, the great thing about him is the way he manipulates everything to his own advantage: he likes to have two people fighting with him in the middle, and every time he comes out on top."

What will happen in the regional elections in February? "Even if the law is absolutely democratic (which it won't be) the elections will not be fair because the media will distort everything. It'll be at best an *illusion of democracy* . . . The council of our movement in Chelyabinsk on October 7-8 will probably decide to boycott these elections; but not everyone agrees . . . (We have Mensheviks and Bolsheviks within our organisation!) . . . We're not trying to be popular; we know there is a very low level of political consciousness among the population. It's understandable that people think a lot can happen. But the Soviets at national level can never become real parliaments. What we want is to set up committees for the calling of a Constituent Assembly, as in 1918. We'll distribute leaflets and organise pickets at metro stations, explaining that what's going on is a typical example of the modernisation of the totalitarian system."

What does she think of the "interregional group" formed by the democratic opposition within the Congress of People's Deputies? "They could have a part to play in a future coalition government emerging from a Constituent Assembly. But their participation in the present system helps to legitimise it. What is happening now is certainly leading to a catastrophe. It's inevitable. All we can do is prepare an oppositional structure, ready to take the strain."

Yes, you have heard all this before. Yes, Yekaterina and her friends are the precise mirror image of all those far-left groups in western societies (less numerous now than 20 years ago, but still to be found) who explain to you that "bourgeois" democracy is an illusion; that any concessions made to the working class reflect the weakness but also the manipulative ingenuity of the regime; that socialists who settle for piecemeal or gradual reform are "objectively" the allies of the bourgeoisie because they help to legitimise its power; that genuinely free elections are impossible so long as the media are controlled by capitalists; that national and racial tensions are artificially fomented by those in power in order to divide the international proletariat and prevent it uniting in defence of its class interests etc, etc.

And yes, it is almost certainly true that they represent only a far left (or far right?) fringe of Soviet public opinion, much smaller than the "Popular Fronts" which have sprung up all over the place and which present themselves as allies rather than opponents of perestroika although seeking to radicalise it and speed it up.

Yet the most striking thing about Yekaterina's discourse is that it pulls together into one bleak, uncompromising analysis a series of observations that are echoed by almost every Soviet citizen one can get into conversation with, including many much closer to if not right inside the political establishment.

The four of us who climbed those stairs in Leningrad were in Russia as pampered guests of the very "system" which excited Yekaterina's venom: earlier in the week we had taken part in an "Anglo-Soviet Round Table" at the Institute of World Economy and International Relations (IMEMO), two of whose former directors now sit in the politburo of the Communist Party, and had been accommodated in a discreet central committee guest-house in central Moscow, whose slightly faded, 1950-style luxury still contrasts glaringly with the living conditions of the ordinary Muscovite. (Let alone those in a region like the Kuzbas coalfield in western Siberia where the miners' strike started this summer: an ecological disaster area where, according to Pravda, 87 per cent of all babies are born with some mental or physical disability and the incidence of cancer is 15 times the average for the union as a whole. Anyone visiting Moscow in the next few weeks should certainly not miss the harrowing exhibition of photographs and paintings of this region in the little church beside the Rossiya hotel, now assigned to the Soviet Society for the Preservation of Nature.)

Yet it was from our hosts in IMEMO, during the round table discussions, that we could hear warnings such as that the main threat to peace no longer came from east-west relations but from within the Soviet Union: from the danger that perestroika, which had made possible the change in the international climate, might fail. The degeneration of the economy to the point where it threatens political stability is, seemingly, the common ground from which all current Soviet arguments start. No one, literally no one, admits to being an optimist.

Of course, everyone agrees that the intellectual atmosphere in Moscow is freer and livelier than it has been since the very first years of the revolution, and that there has been amazing progress in identifying and acknowledging the shortcomings and problems of Soviet society. But the belief that this new lucidity would of itself engender the will and the capacity to confront those problems is rapidly dying, replaced by a pervading fear that the present moment of freedom will be only that: an extraordinary moment, too good to last.

The economic problems appear in themselves virtually insoluble. Economists cannot identify any one that can be tackled first, in isolation from the others; yet, when one suggests that the only answer is a frontal attack on all at once, one is told that this could only lead to civil war in the most literal sense. But they hasten to add that economic and political problems are closely intertwined. Even a serious attempt at economic reform cannot be made so long as the issue of political power is unresolved – so long as Gorbachev, in the words of Yuri Afanasiev (one of the leaders of the Interregional Group), has not chosen between "being the leader of perestroika and being the leader of the *nomenklatura*."

For the moment he has avoided that choice, either for the Machiavelliam reasons attributed to him by Yekaterina Podoltseva (but also by others) or because he is simply not powerful enough. And it is true that there is not yet democracy in the Soviet Union. The elections in the spring were free enough in some places to allow the appearance of a vocal radical minority in the Congress of People's Deputies. But the majority in the congress, and even more in the Supreme Soviet which it chose from within its own ranks, still represents the party apparatus with all its vested interests and all its instinct to command rather than persuade. The draft laws which the Supreme Soviet is to consider in this session are reformist in intent but amount to tinkering with the system: they will leave the power of the parallel state and party bureaucracies largely intact.

Political reform clearly has to go much further before economic reform has even a chance of success, and most social reforms are unattainable unless economic growth resumes. The whole process seems likely to take years, if not generations; yet there is a pervasive feeling that it now has only months if not weeks to prove itself before disaster strikes. With such arguments the reformers tend, intentionally or otherwise, towards oppositionists like Yekaterina Podoltseva.

And yet, and yet. As Yekaterina spoke, a phrase was echoing in the back of my mind: *La dictadura no es reformable!* That was the slogan of almost all Spanish democrats in the immediate aftermath of Franco's death. A gradual dismantling of the fascist state was not possible, they assured you. There would have to be a *ruptura democrática*, a clean break. And I suppose there was. But the form it took was certainly not the one they expected. Not that their radicalism was wrong or unnecessary. On the contrary, it helped Franco's designated successor and the former leader of his ruling party to impose on the regime a transformation which went further in the end than either of them probably imagined or intended at the beginning. Once one form of legitimacy had been abandoned, no other footing could be found until the full leap into representative, pluralist democracy had been made.

Of course it would be facile to suppose that Franco's Movimiento was a ruling party in the sense that the Communist Party of the Soviet Union is, or that the transition being attempted in the Soviet Union is not enormously more complex and difficult than the one in Spain. But it is worth remembering that the latter (also bedevilled by an intractable "nationalities problem") did not look anything like as easy in advance as it now does in hindsight.

Equally it would be deeply insulting to Soviet reformers and radicals alike to suggest that they have "nothing to fear but fear itself." They have plenty to fear, but they also have a great deal to hope for if only they all keep pushing in the same direction. The argument about Gorbachev's intentions or whether one should help him is really unnecessary. As Andrei Sakharov said in his interview with Le Monde last week: "The danger is not that Gorbachev might fall, but that he might pursue a policy such that we should no longer care whether he is there or not." By the same token, the hope is not so much that Gorbachev may succeed as that in order not to fail he may be impelled to adopt solutions going far beyond what he originally intended.

"Self-criticism purges the soul," said one of the Soviet participants in our round table, "but it is not always constructive." The Soviet soul must be nearly purged by now. Let's hope the constructive phase is about to start.

LETTERS

More than one way to privatise industry in Poland

From Mr Robert Oakeshott.

Sir, Bartlomiej Kaminski ("Privatisation may not be right for an economy with no markets," September 28) is surely right to argue that industrial "deconcentration and demonopolisation" measures should be given first priority in Poland's prospective programme for economic reform.

He is less persuasive in his treatment of the possible acquisition by employees of shares in Polish businesses which are eventually privatised. As if it were the only realistic possibility, he asks "why . . . should shares be distributed freely to employees while capital has been extracted from the whole society?" There are other options which answer his objection.

For example, the rules might provide for employees' purchase of shares in cash or on credit. When I was in Poland in June, the majority of those who were advocating an employee-owned future for their companies took it as axiomatic that the ownership transfer would be effected by a cash or credit buy-out.

There also appears to be an error of omission in Professor Kaminski's article. He seems to be unaware of an anxiety which I found to be widespread in Poland: namely that, unless specific measures are taken to guard against it, the *nomenklatura* managers will get their own hands on the businesses they now control. This would represent a move from state ownership to *nomenklatura* ownership. In Hungary, as in Poland, the opinion is gaining ground that employee ownership may well represent the strongest protection against a slide into ownership by the *nomenklatura*.

A high-level team from Poland is due in Britain towards the end of October to study the British experience of employee ownership. I am hoping that it may be possible to arrange a news conference for them so they may present their aspirations and anxieties to a wider audience.

For the reasons implied by Professor Kaminski, a policy of deconcentration may only be applicable within limits and over time. One of the businesses which I visited in June was the country's sole manufacturer of colour television tubes. In a case like that – and I understand there are many of them – deconcentration may be impracticable, and the monopoly problem will have to be addressed by regulation. There is, of course, no good reason why an employee-owned monopoly should not be subject to regulation.

Robert Oakeshott,
Job Ownership Ltd,
9 Poland Street, W1

From Ms Lisl Biggs-Davison

Sir, I hope Professor Kaminski's words will not influence negatively the many concerned and interested business people thinking of investing in Poland, whether in joint ventures or by starting private concerns.

Professor Kaminski's talk of "private monopolies" is nonsense and is a grave disservice to Leszek Balcerowicz and his colleagues, some of whom are excellent economists who have written sensible books published by our centre and other western publishers. They have a clear vision of Poland's democratic and free economic future and are working valiantly for their brave country.

Their reforms will illuminate the path for the other stagnating communist economiss, which must surely follow Poland's lead with her new enlightened Government.

Lisl Biggs-Davison,
Centre for Research into Communist Economies,
2 Lord North Street, SW1

Take notice

From Mr D. Richards

Sir, Desmond Goch (Letters, September 22) chides British Gas and the area electricity boards for issuing reminders for unpaid monthly accounts in advance of the customer's normal settlement date.

One way to avoid receiving reminders is to arrange for the accounts to be paid by variable direct debit via BACS (Banker's Automated Clearing Services). The amount due is debited to the customer's bank account 14 days after the end of the month of supply.

When the automatic payment is triggered, the normal business period of one month's grace for the settlement of accounts will have elapsed. That is, by the time the account is sent soon after the end of the month of supply, the customer will have received about 15 days' credit, assuming gas or electricity has been used evenly throughout the period.

D. Richards
20 Alexandra Drive,
Surbiton,
Surrey

Free banking

From Mr John Blundell.

Sir, Observer (September 13) notes the work of the Institute of Economic Affairs on competing currencies. Lawrence H. White and George A. Selgin, both long associated with the Institute for Humane Studies at George Mason University, and both now at the University of Georgia, have made seminal contributions in this area. White is the author of Free Banking in Britain: Theory, Experience and Debate 1800-1845 (Cambridge, 1984). Selgin wrote The Theory of Free Banking: Money Supply under Competitive Note Issue (Totowa, New Jersey, 1988).

They have influenced Sir Alan Walters, who wrote in the dust jacket blurb of Selgin's book that it had "shattered many myths about the impossibility of a stable free banking system . . . (and) launched a debate which is most important for all free societies."

John Blundell,
Institute for Humane Studies,
George Mason University,
Fairfax, Virginia

Closed at midday, come back after lunch

From Mr Richard Brown.

Sir, The proposed European Social Charter has been around since late 1987, but has generated a good deal of comment this week. Until June 1990, when the European Commission presents its draft directives and regulations for implementation, it will remain too early to analyse definitively the impact of the Charter.

However, if the approach taken by Commission is to take the best employment conditions from each country as the European standard (upwards harmonisation), how long will the European minimum standard siesta be? And how soon can it be implemented in the UK? Clearly, this is not the most constructive approach.

Richard Brown,
British Institute of Management,
64/78 Kingsway, WC2

Incomes policy and experience of the past

From Mr J.G. Bellak.

Sir, Michael Prowse is of the opinion ("Home truths about trade," *Lombard*, September 29) that "the obvious answer" to the problem of an anti-inflation policy that does not rely on the exchange rate "is some kind of incomes policy."

Is Mr Prowse fortunate enough to be so young as not to have known the disastrous failures of that policy under both Conservative and Labour Governments before 1979? Or has he just forgotten? Do we really have to re-learn the same old lsssons every 10 years?

J.G. Bellak,
Chairman,
Severn Trent Plc,
2297 Coventry Road,
Birmingham

If intended for publication, Letters to the Editor should include a daytime telephone number.

FINANCIAL TIMES
Tuesday October 3 1989

Eastern Europe investment fund launched

By Our Financial Staff

PROMOTERS of a fund launched today hope to raise up to $250m from institutional investors and banks to take advantage of "emerging investment opportunities" in Eastern Europe's liberalising economies.

Tyndall Holdings, in association with S. G. Warburg Securities, is floating the Emerging Eastern Europe Fund, a Bermuda-registered investment company.

It is claimed to be the first attempt to launch a fund investing broadly in Eastern European economies, although a specialised Hungarian fund was established recently. The fund will initially target Yugoslavia, Poland, Hungary and Bulgaria, although other countries may become involved later.

Although Tyndall will administer the fund, the investment expertise will be supplied by ContiTrade Services, part of the Continental Grain group, which has extensive experience of Eastern European trade.

Initial money, up to $50m, will be raised from professional investors through subscriptions for preference shares, which will carry warrants for ordinary shares.

The capital is expected to be raised largely in London; although possibly also from institutions elsewhere in Europe and in the Far East. But the main finance, a maximum of $200m, will be obtained through offering ordinary shares to banks which have non-performing Eastern European loans on their books.

Through an equity-for-debt swap arrangement the "E3 Fund" will aim to offer such banks a better price than the secondary market value of the debt.

The banks, for example, might be offered 60-65 per cent in shares for Yugoslavian external debt which is currently worth only 50 per cent of its face value.

The aim will be to convert the loans internally into a form which can finance new projects. Those lined up include a Yugoslavian grain farming irrigation scheme and a Hungarian printed circuit board enterprise.

Refugees pack W German embassies

By Leslie Colitt in Berlin and **David Marsh** in Bonn

MORE THAN 1,000 East Germans were last night in the West German embassy in Prague hoping to follow the 6,300 fugitives who entered West Germany by train at the weekend from West German embassies in Poland and Czechoslovakia.

Against the background of continued tensions over the flood of emigrés, Mr Hans-Dietrich Genscher, West German Foreign Minister, will plead today in Brussels for European Community aid for reform-minded states in Eastern Europe.

Foreign Ministry officials in Bonn said Mr Genscher was also doing his best to persuade East Germany to join the reform path.

They said the two Germanys were working on a solution under which refugee "latecomers" in Prague and Warsaw might be allowed out under the same conditions which applied during Sunday's exodus.

However, the mood was soured yesterday by East German recriminations over the renewed build-up of refugees in Prague and at West Germany's embassy in Warsaw, where the number of would-be refugees reached about 150 yesterday.

Mr Horst Neubauer, East German representative in Bonn, complained to Mr Rudolf Seiters, the Bonn Chancellery Minister, that West Germany was "breaking trust" by allowing the Prague embassy to become occupied again.

Mr Walter Priesnitz, state secretary at the Bonn Ministry for Inner-German Relations, met Mr Wolfgang Vogel, East Germany's emissary for humanitarian questions, in West Berlin to try to reach a solution.

Mr Vogel said on television that East Germans who had taken refuge in West German embassies would be guaranteed passage to the West within two weeks on condition that they first returned to East Germany.

Mr Genscher, who returned to work last month after a prolonged absence after a heart attack, is said by officials to be strained but euphoric after exhausting negotiations on releasing East German refugees.

He has decided to attend today's regular meeting in Brussels of EC Foreign Ministers to press for what he calls a "Europe plan" to bind states such as Poland and Hungary more closely to the EC. This would encompass not only multilateral financial aid but also co-operation in areas like technology and environment.

In the dramatic events leading up to Sunday's exodus, the Soviet Union played a crucial role in persuading East Germany to let out the embassy fugitives, it emerged yesterday.

Mr Genscher, in talks in New York last week with Mr Eduard Shevardnadze, the Soviet Foreign Minister, seems to have helped to persuade Moscow to put pressure on East Berlin to find a provisional solution to the refugee problem.

Mr Helmut Kohl, the West German Chancellor, was also in contact last week with Mr Mikhail Gorbachev, the Soviet leader, over the question.

A Czech policeman tries to prevent an East German getting into the West German embassy in Prague yesterday while helping hands from within the embassy compound hold his legs

Kaifu takes up cause of Japanese consumers

By Ian Rodger in Tokyo

MR Toshiki Kaifu yesterday took up the cause of ordinary Japanese consumers in his first policy speech in the Diet (Japanese Parliament) since becoming Prime Minister.

In a speech which marked a departure from the traditional battleground of Japanese politics, Mr Kaifu singled out high land prices which he said had robbed many people of their dream of home ownership and threatened to undermine Japanese society's egalitarian base.

"It is impossible to ignore the widening disparity between the haves and the have nots," said Mr Kaifu who became leader of Japan's ruling Liberal Democratic Party and Prime Minister two months ago after popular discontent forced the resignation of his predecessor.

Mr Kaifu also reiterated his determination to introduce legislation to clean up the financing of Japanese politics during the current Diet session and hoped it would be possible to implement reforms of the electoral system late next year.

Japan's multi-seat constituency system, which forces candidates of the same party to fight against each other, is widely seen as one of the causes of corruption in the country's politics and many party leaders, including Mr Kaifu, hope to introduce a single-seat system.

Previous Japanese prime ministers have rarely paid any attention to consumer interests, because the LDP has drawn its voting and financial support from various powerful producer groups, including farmers and manufacturers.

However, widespread voter discontent with the LDP, following the Recruit bribery scandal and the introduction of the unpopular consumption tax in April, led to a crushing defeat for the party in July's upper house election and has caused party leaders to become more sensitive to consumer concerns.

Also, Mr Kaifu who was selected as party leader only because he was one of the rare senior Diet members who had not been corrupted by Recruit, has no power in the party. The only way he can hope to secure his position in the run-up to a general election in the next few months is by building a personal following among voters.

Mr Kaifu's choice to debate land prices is significant because Japanese people are increasingly worried about growing discrepancies in wealth and income. The sense of equality that Japanese people have felt in the post-war period has widely beeu accepted as one of the pillars of the country's economic success.

"The extraordinary rise in land prices has been a factor shaking the people's faith in society's fairness," Mr Kaifu said. He pledged a determined effort "not only to stem speculative trading but also to disallow exorbitant profits from land trading."

He promised to do what he could to reduce the often very high prices of consumer goods.

He would also do what he could "to enable women to use their abilities to the fullest."

Mr Kaifu has the advantage of being an eloquent speaker and he used it to some effect in his speech, appealing to the Japanese people to stop concentrating singlemindedly on economic efficiency.

"The times once again need the idealism of youth. The times need the kind of devoted hearts and hands seen in the Japan Overseas Co-operation Volunteers living and working overseas as they dedicate themselves to progress in the developing countries and in the many volunteers who are active throughout Japanese society.

"There is no limit to Japan's potential if these young people think and talk about what they can do to open new horizons in our tumultuous society."

Party fortunes, Page 7

THE LEX COLUMN

Dark at the end of the tunnel

It is hard to tell who should be more depressed by yesterday's announcement from Eurotunnel. While investors watch the prospect of dividend payments receding over the horizon, the banks have no choice but to dig deeper into their pockets even though the company is in breach of its credit agreement.

Given the size of overruns so far and the need for a margin of error, it is wise to assume that the company will need to raise a total of at least £1.5bn. Eurotunnel's present cost estimate of £7bn may be 48 per cent higher than the original prospectus, but it is still £500m less than TML's, to say nothing of the £8.1bn estimate produced by the technical adviser to the banks. Even that figure is apparently the midpoint of a "wide range of probabilities", indicating there is plenty of upward scope.

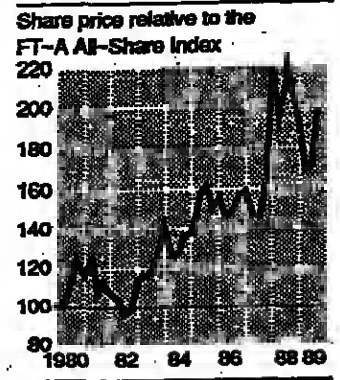
Eurotunnel and the banks have agreed that the adviser's estimate is not an appropriate basis for further finance and investor returns would look very shaky on such assumptions. But even £1.5bn of debt finance, costing 2 per cent over base, is likely to mean an extra £180m to £240m per year in interest costs.

For shareholders, the news that a rights issue will be needed after all may conform to the letter, if not the spirit, of Mr Morton's earlier utterances. It is going to be a difficult issue to get away, given the presence of private investors who subscribed for the perks. A deep discount will be needed and until the issue takes place, the share price will be undermined by the prospect. Next week, Eurotunnel will doubtless announce an uplift in its revenue projections which may partly allay investor anxiety. But the company's record in forecasting costs hardly encourages confidence in its revenue estimates and the shares still look overvalued at 650p.

AMP/Pearl

There is something slightly distasteful about the sight of a giant mutually owned insurance company from Down Under using its undoubted financial muscle just to buy market share on the other side of the world. Pearl Group might be a rather sleepy UK life assurer; but at least it is more interested in the growth of its profits than its market share, and unlike some of its better regarded peers has never fallen for investing in such formerly fashionable ventures as estate agencies.

Pearl Group
Share price relative to the FT-A All-Share Index



Indeed, it is an open question whether AMP's policyholders will benefit greatly from an investment which is equal to 9 per cent of their funds. The insurance and banking industries are littered with examples of financial institutions which felt they had to grow overseas to survive, and have failed miserably. The difference with AMP is that it has no big shareholders to question its management's rather grand ambitions.

That said, the AMP offer may only be a sighting shot. But it has to be taken seriously; it is not a company whose primary interest is in flushing out a rival European bidder prepared to pay the silly 55 times earnings that the French paid for Equity & Law at the height of the 1987 bull market. The previous owners of the Pearl stake had tried and failed to find just such a party; and while Pearl has plenty of scope for improving its dividend, it may have to do something much more radical, such as turning itself into a mutual company, if it wants to escape a bid of say £7 a share.

Interest rates

Given the nervous state of the world's financial markets, too much should not be read into yesterday's easier tone in world interest rates. Short-term West German money rates are already discounting more than a half point rise. If the UK authorities really want to regain the initiative there seems no sense in waiting until after Thursday's Bundesbank meeting. However, 15 per cent plus base rates might turn next week's Tory conference into a wake, and there are good political reasons why the Government will fight long and hard to postpone the next rise.

The conventional wisdom is that the massive intervention to stem the dollar's rise has failed and now needs to be backed up by monetary action, notably on the interest rate front. This may still be unduly pessimistic. While the Germans look set to lead continental European interest rates higher, the increase could be less than expected: especially if the Germans take their international responsibilities as seriously as their domestic preoccupations. The question for foreign punters in sterling is whether yesterday's stability in the exchange rate suggested that it was already discounting 15 per cent. The authorities would like to believe not, and with a bit of luck they could be right.

Privatisation

The appeal of privatisation seems to be waning in some unexpected places. The UK's finance directors, in the shape of the Hundred Group, are starting to fret about the stark ideological divide between the public and private sectors. They argue that the way to get the best out of managers is to give them the right financial structure. Privatisation can be a heavy-handed way of achieving this; and if it is the only means available, bodies not to be privatised – the Post Office, say – are denied a commercial balance sheet.

The alternatives suggested seem commou sense: nationalised industries could issue bonds – not backed by Government, and therefore not part of the PSBR – to a gilts-starved market. They could also bring in joint venture partners from the private sector for specific projects. Flat rate finance from the Government does not reflect the differing risk on different investments; and indeed, in a regime which combines high target rates of return and strict capital rationing, there may be a bias towards high risk projects.

There is also appeal in the suggestion that public monopolies should have their regulators, just like privatised ones. This would give investors a much better idea of how they would behave if privatised, and would be a necessary safeguard for the consumer if they are to be moved out of the clutches of Whitehall. But that may be harder than it sounds; privatisation, for all the rhetoric, is at least a sure way of keeping the civil servants at bay.

Peugeot agrees to talks with strike unions

By William Dawkins in Paris

PEUGEOT, the strike-hit French car producer, yesterday agreed to talk to unions for the first time since a pay dispute crippled its two largest assembly lines early last month.

Mr Jacques Calvet, the group's chairman, ordered his personnel director, Mr Roland Vardanega, to receive delegates from the six unions involved at Peugeot's Paris headquarters yesterday evening. But the company is still refusing union demands for what it estimates is approximately a 30 per cent pay rise.

"Mr Calvet has asked that they should be received, but not to negotiate. We intend to use the occasion to mark out the limits of their actions," said a Peugeot spokesman. However, Peugeot's decision has already reduced the temperature in the most serious labour dispute to affect Europe's third-largest car producer for five years. The news was received with loud cheers by a hard core of 100 strikers who have continuously occupied a forge at Mulhouse, one of the two plants affected, in north-east France, for the past week.

Mr Jean Kaspar, secretary-general of the mainly white-collar CFDT union, said: "The voice of reason has won the field." Mr Louis Viannet, deputy leader of the Communist-led CGT union, said the decision was a mark of the strikers' determination, but that the protesters should maintain their pressure.

Production at Mulhouse and Sochaux, the other plant involved, continued to run at about half the normal rate yesterday as between 1,000 and 2,000 of their combined 35,000 staff continued the strike. They are the main centres for the 205 supermini, Peugeot's biggest selling car, and for its new 605 executive model.

Northern European exports of the 205 are expected to be the first to experience shortages, while marketing of the 605 is going ahead as planned, Peugeot said yesterday.

European TV plan likely to be approved

By David Buchan in Brussels and **William Dawkins** in Paris

A PROPOSAL to allow broadcasters to transmit across EC frontiers programmes conforming to certain minimum standards is likely to end its tortuous legislative journey today. Narrow approval is expected by a majority of Community governments.

The plan, which calls for majority European programming on EC channels, has deeply upset the US. Certain countries – notably France and the Netherlands – have switched position several times nn the issue. However, as a Paris conference on the audio-visual industry came to an end yesterday, the French Government seemed likely to support the directive.

It backed the measure last spring, only to have qualms that the directive did not protect Europe's television industry sufficiently against Hollywood.

However, as current president of the Council of Ministers, France does not seem to want to be blamed for torpedoing the directive which must either pass this week or fall. The deadline – already extended exceptionally by a month – for council action on the broadcasting plan is October 6.

The Dutch Government has said it will return to its original support for the directive, having obtained an indication from the European Commission that Brussels would not give legal help to TV10, a Dutch commercial statiou recently established in Luxembourg, in the latter's bid to gain access to the Dutch cable network.

The Dutch Government claims TV10 has set up in Luxembourg merely to avoid sharing its advertising revenue with the Dutch authorities.

Denmark, Belgium and West Germany are still expected to vote against the directive which sets standards on the moral and advertising content of programmes and permits cross-border transmission of any programme conforming to these standards.

The US has complained strongly about the provision for majority European programming, even though it is not binding on EC states. Mrs Carla Hills, the US Trade Representative, said recently the US objected to local content rules "particularly in the realm of thought," apparently referring to television.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	18	64	Malta	C	20	68	Rhodes	S	23	73
Algiers	S	27	81	Edinburgh	S	12	54	Manchester	S	14	57	Rio de J'o	C	22	72
Amsterdam	C	14	57	Faro	F	25	77	Manila	C	31	88	Rome	S	22	72
Athens	C	20	68	Florence	S	21	70	Melbourne	F	12	54	Salzburg	C	13	55
Bahrain	S	34	93	Frankfurt	C	13	55	Mexico City	F	25	77	San Francisco	C	14	57
Bangkok	R	31	88	Funchal	F	25	77	Miami	S	27	81	Seoul	S	23	73
Barcelona	S	23	73	Geneva	S	16	61	Milan	S	21	70	Singapore	F	30	86
Beirut		–	–	Gibraltar	C	22	72	Montreal	C	14	57	Stockholm	F	10	50
Belfast	C	11	52	Glasgow	S	15	59	Moscow	C	3	37	Strasbourg	C	14	57
Belgrade	S	15	59	Guernsey	C	18	64	Munich	C	11	52	Sydney	S	16	61
Berlin	C	14	57	Helsinki	C	7	45	Nairobi	C	24	75	Taipei	R	30	86
Biarritz	F	17	63	H. Kong	R	27	81	Naples	F	22	72	Tangier	S	27	81
Bombay	F	29	84	Innsbruck	S	17	63	Nassau		–	–	Tel Aviv	S	31	88
Bordeaux	S	19	66	Inverness	F	12	54	New Delhi	S	33	91	Tenerife	S	27	81
Brussels	C	14	57	Islamabad	F	33	91	New York	R	21	70	Tokyo	C	20	68
Budapest	C	15	59	Istanbul	F	15	59	Nice	F	22	72	Toronto	Dr	16	61
B. Aires	F	20	77	Jakarta	F	31	88	Nicosia	S	26	79	Tunis	F	25	77
Cairo	S	36	97	Jersey	C	17	63	Oporto	S	24	75	Valencia	S	26	79
Cape Town	F	16	61	Jo'burg	S	29	84	Oslo	S	14	57	Venice	S	17	63
Caracas	C	27	81	Lima	C	19	66	Paris	C	15	59	Vienna	C	16	61
Casablanca	F	24	75	Lisbon	F	23	73	Peking	S	24	75	Warsaw	F	12	54
Chicago	C	18	64	London	C	14	57	Prague	C	11	52	Washington	R	18	64
Cologne	C	13	55	Los Angeles	C	18	64	Reykjavik	C	9	48	Zurich	F	15	59
Copenhagen	S	15	59	Luxembourg	C	12	54								
Corfu	F	22	72	Madrid	S	22	72								
Dallas		–	–	Majorca	S	24	75								
Dublin	C	13	55	Malaga	S	24	75								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Pressure eases for UK rate rise

Continued from Page 1

It is widely expected that the Bundesbank will decide a half percentage point increase in its discount and Lombard rates from their respective 5 per cent and 7 per cent levels. Yesterday some analysts suggested that these expectations were so firmly rooted in the market that the British Government might be able to avoid raising interest rates in the absence of a more draconian tightening of German monetary policy.

Soviets seek ban on strikes

Continued from Page 1

enforce the ban if mass strike action, like the July miners' strike involving some 250,000 workers, still takes place.

The Deputy Premier, in a brief and grim statement to the Parliament, said that 5m working days had been lost so far this year because of strikes, 2m of them in Trans-Caucasia.

Stocks of coal at power stations had fallen by 4.5m tonnes, and the situation in the iron and steel industry was "critical."

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 3 1989

INSIDE

When the going gets tough

While Tootal, the UK textiles group, waits to see what the Monopolies and Mergers Commission's verdict will be on its agreed takeover by Coats Viyella, it is finding trading conditions "tough" in the first half and "tougher" in the second. So said Mr Geoffrey Maddrell, chief executive (left), unveiling static pre-tax profits at the halfway stage. The MMC has delivered its report on the takeover to the UK Industry Secretary — his decision is expected within two weeks. Page 32

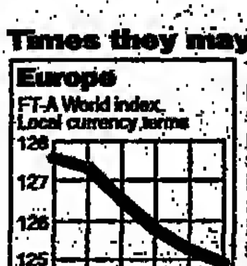
Nature's ravages beaten

Against the odds, this year's sugar beet crop in the UK has produced at least an average yield, and by the end of the harvest, may have shown a better performance than usual. This is despite the huge number of aphids that survived the mild winter and threatened in January to infect the sugar beet with virus yellow; a drought that began in May and lasted four months; and a serious mildew attack. Page 38

Kyocera's friendly takeover

Japanese electronics and ceramics group Kyocera has a habit of going about things in an un-Japanese fashion. Last week it bought AVX, a US-based electronic components group, not in cash as the Japanese tend to do but in a share swap arrangement. This is a sign of friendship in a deal between Mr Kazuo Inamori, the company's founder and chairman, and Mr Marshall Butler, AVX chairman, who has known Mr Inamori for 30 years. Page 29

Times they may be a-changing



The end of the current bull market is nigh, say some — and the European index for last week seems to bear them out. In West Germany, worries about a probable interest rate rise caused the market to fall 2.6 per cent on the week. Italy, the Netherlands and Switzerland fell on profit-taking. And the Nordics showed the worst gloom, mostly on political fears. But strength in the Asian Pacific region and North America kept the World Index up for the second week running. Page 50

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Euromarché	4045	+	76.4
Rises				Raffinage	176.5	+	6.2
Hochtief	925	+	22	Falls			
Holzmann	1100	+	21	Eurotunnel	69	-	3.9
Lahmeyer	1230	+	50	OFP	1552	-	101
Volkswagen	454.5	+	6.8	UIF	849	-	38.8
Falls				**TOKYO (Yen)**			
Preussag	377	-	18	Rises			
NEW YORK ($)				Auto Construct	1480	+	200
Rises				Fujiya	1900	+	300
Philip Morris	165⅞	+	5	Oriental Photo	790	+	100
Spelling Ent	11	+	2⅛	Falls			
Zenith Elec	16⅞	+	2⅛	Nissan	1850	-	400
Falls				Teikoku Sanki	1150	-	90
Harcourt Brace	10¼	-	1⅝	Tsukishima K	1500	-	110
Kansas City So	11⅞	-	3				
Kellogg	70⅞	-	2¼				
PARIS (FFr)							
Rises							
CGI Inform	1735	+	35.7				

New York prices at 12.30.

LONDON (Pence)				Falls			
Rises				Aran	84	-	8
BSG Design	59	+	7	Audio Fidelity	36	-	8
BTR	442	+	17	[illegible]	56	-	11
Babcock	215	+	7	Brit Aerospace	593	-	14
Caradon	465	+	14	[illegible]	650	-	15
[illegible]	385	+	18	[illegible]	702	-	8
London & Man	317	+	18	Kelt Energy	45	-	4
Morgan Grenfell	357	+	21	Lucas Inds	673	-	7
Pearl	604	+	28	[illegible]	393	-	17
[illegible]	554	+	6	THORN EMI	800	-	10
Warburg (SG)	420	+	9				

Bull to buy Zenith's microcomputer business

By William Dawkins in Paris and Roderick Oram in New York

GROUPE BULL, the world's 10th largest computer maker, yesterday announced it is to pay up to $635m (£400m) for the microcomputer business of Zenith, the US consumer electronics company.

The deal, the latest in a series of ambitious US acquisitions by big French companies, will turn loss-making Bull into the world's seventh producer of computers.

Zenith, a pioneer of lap-top computers, led the world market last year with 27.8 per cent in volume terms and 44.2 per cent in value terms, according to Dataquest, the US electronics market research company.

Although Zenith's market share is slipping because of increasing competition from Toshiba of Japan and other newer entrants, the market is the fastest growing segment of the computer industry.

Dataquest forecasts the world market for portable computers will climb to more than $12bn in 1993, from $2.85bn last year. The exact price of the deal will not be fixed until the agreed takeover is completed. This is expected by the end of the year.

The price will be based on Zenith Computer Group's net asset value, $635m at the end of July, but is likely to fall over the next few months as the US company reduces stocks.

The acquisition comes just under a year after Bull boosted its minority stake in its US partner, Honeywell Bull — now known as Bull HN Information Systems — to a controlling 65 per cent.

This is the most ambitious US move since then, under the new chairmanship of Mr Francis Lorentz, who took over at the state-owned group in March and has announced plans to put Bull among the top five world computer makers by the early 1990s.

"Microcomputers are an essential element in our long-term strategy to enhance our position as one of the world's leading information systems suppliers," said Mr Lorentz.

He added that the deal "will move us into the first tier of the microcomputer industry and will open new growth potential on both sides of the Atlantic."

Zenith's arrival would give Bull a complete microcomputer product line, from "low-end to high-end for both desk-tops and lap-tops, substantial market positions both in North America and Europe, and sufficient volume to compete effectively on a global scale," said Mr Lorentz.

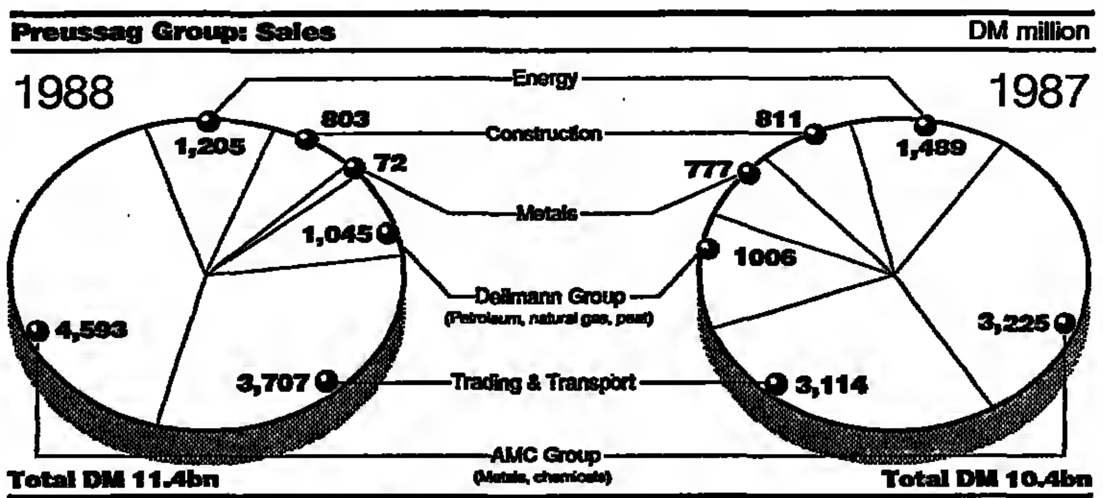
Zenith said it would use proceeds from the sale to reduce its heavy debt burden and to fund development in its other main line of business, consumer electronics, which had sales of $1.4bn in 1988.

It is spending heavily on developing a US version of high definition television and on high resolution colour displays for military and other uses. It is the last US-owned volume producer of colour television sets.

The disposal surprised many analysts because Zenith has been under considerable financial and dissident-shareholder pressure to sell its loss making consumer electronic operations so it could concentrate on profitable lap-top computers.

The marriage of an odd couple gets a blessing from the state

David Goodhart on the union of Germany's Preussag and Salzgitter



Preussag was the first sizeable company to be privatised by the West German Government in 1959, and Salzgitter, the state controlled steel concern which Preussag is to buy for more than DM2bn ($1.08bn), will be the last.

To most of Germany's steel barons, currently gathered in West Berlin for the 23rd annual congress of the International Iron and Steel Institute, that is where the logic of the deal — to create Germany's 12th largest company with combined turnover of over DM25bn — begins and ends.

To them it is a political "stitch up," pure and simple. Where, they ask, is the industrial logic in *combining energy and metals* group Preussag (1988 sales DM11.4bn) with steel, shipbuilding and machinery group Salzgitter (1988 sales DM9.8bn)? Where is the management to cope with the integration of the two concerns when Preussag has yet to demonstrate that it has left its troubles of the past few years behind? And where is the return for Preussag's long-suffering *shareholders, who have just* received their first dividend since 1985 after accummulated losses of DM250m in 1986 and 1987?

The approximately DM500m in new credits and DM1.7bn rights issue with which Preussag is expected to pay for Salzgitter would probably earn more on deposit in the next two or three years than it will from the steel company.

However, the steel barons' protests are a little disingenuous. They know that despite, or perhaps because of, the power of the banks, industrial and political considerations often take precedence over financial ones in Germany.

They also know that, because of the power of the unions and the Lander Governments, big mergers driven by synergy — in other words, rationalisations — are virtually impossible. This is one reason why the current wave of mergers in Germany is creating a new generation of conglomerates.

Their protests, in some cases, also conceal disappointed self-interest — *both Fried Krupp and* Hoesch have made pitches for Salzgitter. Hoesch was ruled out because a merger would only have made sense with further rationalisation in steel. Fried Krupp is financially too weak — recent reports suggest that its plant-building subsidiary may have lost DM1bn, not the DM600m originally believed — and it has too many influential *foreign shareholders, such as the* Iranian Government and Mr Roland "Tiny" Rowland, for the Government to feel comfortable handing it Salzgitter.

But this new interest in Salzgitter is understandable. The group has been on the privatisation list since 1985, yet only in the *last* few months have the positive effects of the ruthless rationalisation led by the 60-year-old chairman Mr Ernst Pieper become evident.

Mr Pieper, the former social democratic official in the Bonn Economics Ministry, rationalised and modernised the steel division, which produces just over 50 per cent of sales, and closed five of the six shipyards, cutting the shipbuilding workforce from more than 20,000 to 5,000. He is not popular with his former political colleagues, as his name tends to be associated with either job losses or allegations of submarine plan sales to South Africa.

But he has also built up Salzgitter's electronic and machinery divisions to produce almost 15 per cent of sales. Non-steel sales *would have been higher still if he* had been allowed to buy the car parts business from Fichtel and Sachs. This year, after reporting a net group profit of DM90.3m, the company will pay the Government its first dividend for several years.

The transformation has been helped by injections of at least DM2bn from the *Government over the past* decade, which has left Salzgitter with no debt, healthy reserves and extensive assets. It is probably financially stronger than Preussag.

That strength and Mr Pieper's authority has given Salzgitter influence in selecting its future owner; indeed, Mr Pieper said in Berlin yesterday that the Preussag idea had originated with the Salzgitter board.

But why, especially if Salzgitter is now so strong, is there no conventional flotation? Again, political considerations are a factor. Mr Pieper says the Government wants the cash before the next election, which is due at the end of 1990, and a flotation would take at least two years to prepare.

And why has Preussag been chosen as a partner rather than Krupp or Hoesch? Mr Pieper admits that politics is a large part of the answer. Both Preussag and Salzgitter are based in Lower Saxony — whose Government had objected to a deal with Krupp — and the merger should *produce no job cuts. "This is* a group whose decision-making centre is in northern Germany and that makes things easier," said Mr Peiper.

The Westdeutsche Landesbank (WestLB), which owns 40 per cent of Preussag, is based in neighbouring North Rhine Westphalia. WestLB is expected to reduce its stake in the combined group to about 25 per cent, the level at *which the Bonn Government is* expected to set a ceiling on bank holdings in industrial companies. With Deutsche Bank holding 10 per cent of Preussag and the Deilmann family five per cent, the deal has been easy to arrange.

One advantage of the merger for Mr Pieper is that he will probably emerge as the dominant figure in the yet-to-be-announced management structure.

For more than a year Mr Erwin Möller, Preussag's 50-year-old chairman, has talked about reducing the company's dependence on currency fluctuations, natural gas and metals, and about making Preussag a more technical, industrial services company.

Nearly three quarters of Preussag's 26,000 workers (Salzgitter employs 38,000) work in production or trading of raw materials — metals, basic chemicals, oil, gas and coal — even though last year the company spun off its core metals refining business into a joint venture with the French Penarroya group.

More than 40 per cent of company sales last year — net profit DM117m — came from the UK-based metals and chemicals group AMC, with a further 32 per cent from its general commodities business, 20 per cent from oil, gas and coal and the rest from machinery.

The combined group will have 61 per cent of sales in trading and services.

Mr Pieper claims that combining the two businesses, which are governed by different business cycles, will create a new counter-cyclical combination. Given the role politics has played in creating this union, this view is likely to be greeted with scepticism until there is evidence to demonstrate that it is a well-founded one.

Cadbury makes £45m Spanish acquisition

By Tom Burns in Madrid

CADBURY SCHWEPPES, the UK soft drinks and confectionery group, is continuing its investment drive into Spain with the £45m ($72m) purchase of Citresa, a Barcelona-based company that produces household-name Spanish brands of fruit juices and soft drinks.

Citresa's products, including the soft drinks Trinaranjus and the fruit juices called Zumos Vida, have a 2.2 per cent and a 4.3 per cent market share in Spain in their respective sectors, totalling nearly 70m litres last year. Vida also has a 7 per cent share of the Portuguese fruit juice market.

The business being acquired had turnover last year of £29.6m and trading profits of £2.2m, Cadbury Schweppes said.

In June the British company raised its confectionery market stake in Spain to 14 per cent with the acquisition of the chocolate manufacturer Huesa. Citresa belonged to a Barcelona family-controlled holding company called Agrolimen. This has strong stakes in several leading Spanish food and drink concerns.

Officials at Schweppes España, which is 66 per cent owned by the UK parent company, said the acquisition was an important one as the Spanish-based subsidiary was expecting to lose 55 per cent of its Pepsi bottling franchises in Spain, some 40m litres, *over the next year following an* agreement between the PepsiCo and KAS, a Spanish soft drinks producer controlled by the domestic bank Banco Bilbao Vizcaya.

Schweppes has a large bottling network in Spain with five plants and a sixth in the Balearic Islands. It also has a canning plant near Madrid.

Virgin Music link with Fujisankei

By Raymond Snoddy in London

MR RICHARD Branson, the music business entrepreneur who took his Virgin company to the Stock Exchange and then out again, yesterday announced a £96m ($154m) partnership with the Fujisankei Communications Group of Japan.

The deal with the private Japanese group, whose interests range from Fuji TV, the leading Japanese commercial broadcaster, to newspapers and music and video, is part of Mr Branson's strategy to keep Virgin "independent for ever."

Fujisankei is to buy a 25.1 per cent stake in the Virgin Music Group for $150m (£96m) — believed to be the largest equity investment so far by a Japanese company in an existing UK company. It is also claimed as the largest Japanese investment in any European media company.

The deal compares with a £248m value put on the entire Virgin group (minus the airline) last year when Mr Branson took the company private after the share price had fallen to 87p from a flotation price of 140p.

"Obviously we prefer having a private company with us as a silent partner than being a public company with 60,000 shareholders," Mr Branson said yesterday in the same London hotel where three years ago he first announced he would be seeking a full quotation.

Mr Branson, chairman of both the Virgin and Voyager groups, made it clear yesterday that the Fujisankei partnership was designed both to help pay off the costs of going private and of expanding in Japan, the world's second largest record market.

Virgin Music and Pony Canyon, Fujisankei's record and video company, will develop a new domestic label in Japan as part of the agreement.

Although he emphasised that the company would concentrate on organic growth, Mr Branson added that it would look at a possible bid for Motown, the Detroit-based records group which is up for sale. He described the chance of buying Motown as a once in a lifetime opportunity.

Mr Hiroaki Shikanai, joint chairman and chief executive of FCG, a company with an annual turnover of $5bn, said yesterday that Virgin, like his company, "is a trend setter, sensitive to new talents and creating the music culture of our time."

The Fujisankei deal follows the sale in August of Virgin's film and distribution arm to Management Company Entertainment Group of Los Angeles.

The price was $83m, in cash and shares, which gives Virgin 22 per cent of the Nasdaq-quoted company.

Mr Branson also announced that his US record company, set up three years ago, was now trading profitably and turnover had risen from $20m to over $100m.

Evidence of commercial links between FCG and Virgin will come later this week when Fuji TV starts transmitting a weekly live music programme from London.

Called Hit Studio International it will be seen by up to 55m viewers in Japan and Europe.

Commenting on the company's decision to surrender its public company status, Mr Branson said: "It's been a wonderful load off our backs. He added that ironically the City was finally starting to recognise that Virgin artists such as Mike Oldfield and Phil Collins "do have a value, and copyright does have a value."

Unilever buys Boursin of France

By Andrew Hill in London

UNILEVER is to spread its international cheese interests by buying the company which makes Boursin and Boursault, the French cheeses.

The brands join a vast selection of branded foods, such as Flora margarine, and Birds Eye Walls frozen products, sold by the Anglo-Dutch consumer products group worldwide.

Cheeses already account for more than £200m of Unilever's £17bn of sales annually.

They range from cheddar and camembert, to low fat and polyunsaturated alternatives such as Becel, Linera and Delight.

Boursin is technically a "fresh cheese". Unilever was quick to point out that this did not mean the other cheeses it supplied were off: the title distinguishes the product from hard or semi-hard cheeses (cheddar and edam, for example), soft cheeses, such as camembert and brie, which usually have a rind, and processed cheeses.

Fresh cheeses represent about 13 per cent of the European market, which sells 3.3m tonnes of cheese a year, and 8 per cent of the British market of 283,000 tonnes.

Unilever would not reveal how much it will pay for the Boursin group, which made £3.4m in net profits last year, on turnover of £30m. The acquisition gives the Anglo-Dutch conglomerate its first cheese-making plant in France, to add to factories in West Germany, the UK, Belgium and Italy.

Boursin, which is based in Pacy-sur-Eure in central France, claims about a third of its specialised slice of the French cheese market.

It also exports to Britain, where it has been running a television advertising campaign, the Benelux countries, Switzerland and West Germany.

The group also serves the US market.

Musical chairs for Bührmann and Ahrend

By Andrew Baxter

MR Robert van Oordt could never have imagined that a recent trip to a concert at Amsterdam's Concertgebouw, a popular venue with Dutch businessmen, would have had such consequences.

The chairman designate of Bührmann-Tetterode, the big Dutch office supplies wholesaler and packaging manufacturer, found himself sitting next to Mr Hans Koenders, managing director of Ahrend, a much smaller office supplies concern that Bührmann is trying to buy.

In a market as small as Amsterdam's, and so starved of decent takeover gossip, the event was enough to spur e new round of rumours about Bührmann'e intentions, and even talk of a possible deal. Ahrend's shares rose sharply in the following days to about Fl 300 ($140) apiece, valuing the company at around Fl 410m, amid strong domestic and US demand.

Mr van Oordt, who will take over from Mr Adrianus Overwater as chairman of Bührmann on January 1, says the meeting with Mr Koenders was "pure coincidence, we just bumped into each other." The two men have "a very friendly relationship," even though their companies have not managed to hit it off.

The story began before Mr van Oordt joined Bührmann earlier this year from Hunter Douglas, the Dutch building products group. The acquisitive Bührmann, eager to expand in the EC and the US, had bought an office supply company in New York City, and then, after analysing European markets last year with the help of Arthur D. Little, the consultants, concluded that office supply was a business with a good future.

But, it is also changing. Users were starting to buy directly from manufacturers or large wholesalers, leaving smaller middle-men out in the cold and thus encouraging Bührmann to grow bigger by acquisition. The impending EC internal market reforms were a further spur to expansion.

Then, last autumn, Bührmann was offered a large block of shares in Ahrend, e manufacturer and distributor of office furniture about one tenth its own size. More shares became available, and by March Bührmann had a 30 per cent stake.

Talks began on a possible takeover, but when Ahrend "became aggressive," according to Mr van Oordt, the larger company had no choice but to continue buying shares, reaching a shareholding of 51.5 per cent, in the hope of forcing a change of attitude at Ahrend.

But it is here that the story takes on some very Dutch characteristics. A 51.5 per cent stake might be enough to end the affair in other markets, but, in line with common practice in the Netherlands, the Ahrend shares carry no votes.

For Bührmann there is little point in acquiring further parcels of shares, except for the dividend income, and the company says it must either do a deal with Mr Koenders or make an all-out bid. At an analysts meeting in London last week, Mr van Oordt was guarded over a possible outcome, except to say he expected that the two companies would eventually join forces.

Bührmann's ordinary shares, traded in the form of bearer depositary receipts, are also non-voting, but even so about half of trading takes place outside the Netherlands. From yesterday the shares were listed on the London Stock Exchange to reflect this interest and complement current trading on Seaq International.

Given the rarity of such takeover tussles in the Netherlands, the stand-off between the two companies is being closely watched. Whatever the eventual outcome, Bührmann should do well from its investment. Its shares in Ahrend were bought for an average of Fl 160 apiece, compared with Fl 278 at yesterday's close as the speculation over an immediate deal died down.

Statoil seeks partner for methanol plant scheme

By Karen Fossli in Oslo

STATOIL, Norway's state oil company, is discussing with possible partners a NKr4bn ($575m) scheme for a methanol plant in Norway and a methyl-tertiary butyl ether plant to be built somewhere in the European Community.

Mr Tore Tonne, president of Statoil Petrochemicals, said his company aimed to have a clear idea ofthe basis on which to make a final decision about the two plants by spring 1990.

As a base case, a possible scheme calls for a methanol plant to be situated on either Norway'a west coast or in eastern Norway. The methanol plant would be supplied with 1bn cu metres a year of natural gas from Norwegian North Sea gas fields to produce some 800,000 tonnes of methanol annually.

About 200,000 tonnes annually of the methanol would supply the MTBE plant, which would produce between 400,000 tonnes and 500,000 tonnes annually. The remaining methanol production would be sold in the market or preferably taken by other partners.

By comparison, Methanor, Europe's largest methanol producer, owned jointly by Norway's Dyno Industrier and the Dutch companies Akzo and DSM, produces 750,000 tonnes of methanol annually.

Methanol, which is an inflammable gas, is the first member of the class of organic compounds known as alcohols. It is used as a fuel for heating and in the production of formaldehyde, resins for glue and plastics.

MTBE is made by reacting methanol with isobutylene. It is an additive used to boost or improve the octane level of unleaded petrol which burns cleaner than leaded petrol.

The future market demand for high-octane and unleaded fuel is expected to expand, as increasing concern about the green-house effect and damage to the ozone layer has pushed countries towards stricter hydrocarbon and nitrogen oxide emissions control legislation. Others are demanding that only unleaded fuel be used, although there is a conflict between cleaning-up the exhaust of an engine and achieving efficient use of crude oil.

One of the possible partners which Statoil is talking to on building the methanol plant is Conoco Norway, the Norwegian unit of Houston-based Conoco, a unit of Du Pont.

It has been suggested that an oil/gas field situated off mid-Norway which Conoco has plans to develop, could supply the natural gas for methanol production, although other sources of supply for remaining gas quantities would have to be found.

Statoil would not be drawn on the other companies which it is holding talks with as potential partners in either the methanol plant or the MTBE plant. The company plans some NKr10bn worth of investments over the next 10 years to expand petrochemical operations.

RTZ faces suit on diamond move

By Kenneth Gooding, Mining Correspondent

A LARGE cloud of uncertainty has appeared over Indonesia'e first diamond project and has caused Acorn Securities, a small Perth-based listed mining company, to threaten legal action against RTZ of the UK, the world's largest mining and metals group.

RTZ has withdrawn from the project with which it became involved when it bought British Petroleum'e mining and minerals assets earlier this year.

Acorn previously indicated that it might be possible to recover between 90,000 and 140,000 carats of diamonds annually from gravels in south east Kalimantan, using three dredgers and an investment of about US$100m.

Acorn has a 60 per cent interest in the project, while PT Aneka Tambang, the Indonesian state-owned mining company, holds 20 per cent; Keymead of the UK, 15 per cent; and DiaEm Resources of the US, 5 per cent.

In April this year, Acorn suggested BP Minerals would earn a 40 per cent interest in the project by spending up to $6m on a programme designed to increase the proven reserves to a volume and grade sufficient to give the project a minimum 10 years life and to attract non-recourse finance.

Reporting RTZ's decision to withdraw, Acorn said it had "instructed lawyers to proceed immediately with appropriate claims for damages against RTZ."

The UK company said that it would vigorously defend itself against any action.

RTZ claimed that only letters of intent had been signed between BP Minerals and Acorn and that they had not entered into any formal agreement.

Acorn said it did not believe that RTZ's action "reflects on the technical or commercial merits of the project."

Markets expect bigger offer for Connaught BioSciences

By Robert Gibbens in Montreal

Canadian stock analysts still expects a higher bid for Connaught BioSciences, the Toronto-based vaccine producer, after last week's C$37 a share offer from Institut Mérieux ofFrance.

Connaught stock closed on Friday at C$38.75 and analysts expect Switzerland's Ciba-Geigy to raise its current C$30 a share bid to around C$40. A third-party bid, including Canadian interests, has not materialised.

Mérieux, a Rhône-Poulenc subsidiary, is seeking 50.1 per cent of the Connaught shares and values the whole business at nearly C$1bn (US$847m). It began its offer on Friday and the expiry date is October 26.

The offer documents say Connaught will earn C$35.2m on revenues of C$238m in 1989, down from an estimated C$39.5m on revenues of C$251m at the start of the year. In 1988, Connaught earned C$35m, or C$1.60 a share.

Last year, Bio-Research Laboratories, a Connaught subsidiary in Montreal, contributed C$6.1m and this year C$6.9m. This company would be sold off by Mérieux if it wins Connaught.

Mérieux would also sell Connaught's 35 per cent of Nordic Laboratories, Montreal, a drug producer. Marion Laboratories of the US owns 60 per cent and has right of first refusal on the Connaught holding.

Caisse de Depôt, the Quebec pension plan manager, owns 22 per cent of Connaught. It says it will not interfere in the bidding and will accept the highest price for it.

But it is also interested in encouraging a small Quebec biotech company to bid for the two Connaught associates in Montreal.

● The Saskatchewan Government is pushing ahead with privatisation of 55 per cent of Potash Corporation of Saskatchewan, the biggest western producer of potash fertiliser. The public offer will go ahead in November. Filings have been made with North American Securities Commissions and the price will be set November 1.

PCS has assets of C$1.2bn and earned C$106m in 1988.

NE Chemcat float by Engelhard

ENGELHARD Corporation, the US precious metals and chemicals group 30.5 per cent owned by Minorco, the investment arm of the Anglo American Corporation of South Africa group, will realise $21.5m net from the sale of part of its Japanese joint venture, writes Kenneth Gooding.

Some 15 per cent of NE Chemcat, the Far East's largest independent automotive emission-control catalysts supplier, has been floated on Tokyo's over-the-counter market.

BNP raises first-half net profits 14% to FFr1.56bn

By William Dawkins in Paris

BANQUE NATIONALE de Paris (BNP), France's second-largest bank, yesterday reported a 14 per cent increase in net profits for the first six months of the year, on the back of a strong rise in both *corporate and private lending*.

Group net profit rose to FFr1.56bn ($246m) in the six months to June, from FFr1.37bn in the same period of 1988, while operating profits – before provisions for bad debts and other risks – rose *faster*, by nearly 38 per cent from FFr4.36bn to FFr6.01bn.

Provisions were up by 22 per cent, from FFr3.08bn to FFr3.7bn over the same period. This comes after a year of already unexpectedly fast growth for BNP, the largest of France's privatised banks, which recorded an 8 per cent increase in net profits for the whole of 1988.

Domestic lending rose by *18.5 per cent in the first half*, with the strongest increase coming from private clients, where loans were 24 per cent ahead of the first six months of 1988. Corporate lending increased by 15.4 per cent.

Outside France, operating *profit rose 24.5 per cent, thanks* to strong performances from the bank's American and Asian operations, BNP said.

● Navigation Mixte, the French financial and industrial holding company, said it had set up a joint holding firm with Allianz of West Germany to operate Mixte's insurance businesses, Mr Marc Fournier, Mixte chairman, told a news *conference*.

He said the insurance holding company would be owned equally by the two companies. No further details were immediately available, Reuter reports from Paris.

Navigation Mixte shares have been suspended at FFr1,364 since last Wednesday after the company requested trading be halted after heavy turnover and a sharp jump in the stock's price.

ABB opts to buy rest of unit

By William Dullforce in Geneva

ASEA BROWN BOVERI, the European electrical engineering group, is paying Westinghouse Corporation of the US $370m for its 55 per cent stake in their jointly-owned Westinghouse ABB Power Transmission and Distribution Company.

ABB, by exercising the option it received in the joint venture agreement concluded last February, is acquiring the whole of Westinghouse's transmission and distribution operations in the US, Canada, Argentina and Brazil for about $750m.

It paid $300m for an *initial* 45 per cent stake, and a further sum of around $80m for Westinghouse's Canadian plants after Canada's *competition* tribunal had cleared the way for the purchase in June.

The deal will be completed on December 29, when the joint venture, based in *Blue Bell*, Pennsylvania, will be renamed ABB Power T&D Company.

Some 10,000 employees, employed in 25 plants, will generate about $1bn in sales this year. With the addition of the Westinghouse operations, ABB's worldwide power transmission business will reach an annual turnover of some $4.5bn.

Mr Göran Lindahl, executive vice president responsible for power transmission, said the Westinghouse takover would enhance ABB's capability to serve the North American power utility and industrial markets. It reflected the group's strong commitment to the US and its determination to come close to its clients.

ABB made $17.8bn in group sales in 1988 and posted pre-tax earnings of $536m and a consolidated net profit of $386m.

At the half-way stage this year it reported pre-tax earnings of $390m on revenues of $9.4bn.

Formed from the merger of Sweden's Asea and Switzerland's Brown Boveri, the group came into being in January, 1988.

After extensive restructuring, several acquisitions and mergers, notably four joint ventures in Italy, it now employs some 180,000 people in 140 countries.

Motorola and Toshiba in chip venture

By Louise Kehoe in San Francisco

MOTOROLA, the leading US semiconductor manufacturer, and Toshiba of Japan have broadened the scope of their collaborative agreements with the formation of a joint marketing venture to sell Motorola chip products in Japan.

The new entity, Nippon Motorola Micro Electronics Corporation, will be jointly owned by Motorola's Japanese subsidiary, Nippon Motorola, and Toshiba's Toshiba Denshi Device Hanbai.

The marketing venture follows hroad technology exchange and manufacturing agreements between the US and Japanese companies, including the establishment of a jointly-owned semiconductor manufacturing company in Japan, Tohoku.

Using Toshiba technology, Motorola has re-entered the market for dynamic random access memory (DRAM) chips, while Toshiba has acquired the right to manufacture certain Motorola microprocessor chips.

● Another US-Japanese joint venture, between Japan's NEC and Honeywell of the US, is to be dissolved. NEC said it has agreed to buy out Honeywell's share of HNSX Supercomputers, formed to sell NEC supercomputers in the US.

Gollancz is sold to Houghton Mifflin

By Raymond Snoddy

HOUGHTON MIFFLIN, the Boston-based independent publishing company, has agreed to buy Victor Gollancz, one of the declining number of medium-size independent British publishers with an international reputation.

Mr Harold Miller, chairman and chief executive of Houghton Mifflin, founded in 1832, said yesterday that Gollancz "had a *tradition* of author-centred pnblishing that mirrors Houghton Mifflin's publishing philosophy and history."

The deal, whose terms were not disclosed yesterday, depends on the agreement of Gollancz shareholders.

But Livia Gollancz, chairman of Gollancz, said yesterday she was delighted that the 60-year-old British puhlisher would on completion "come under the aegis of this distinguished American house that has so jealously guarded its independence."

The company was put up for sale because Livia Gollancz plans to retire next year when she is 70. Gollancz publishes a wide range of both fiction and non-fiction books including science fiction, thrillers and children's books.

Gollancz said yesterday its lists complemented Houghton Mifflin's extensive lists for both adults and children. The Boston puhlisher's British authors include Winston Churchill, Martin Gilbert, Muriel Spark, JRR Tolkein and Victor Gollancz.

Previous US purchases of *independent* British publishers have included the Randon House purchase of Chatto, Bodley Head and Jonathan Cape.

Canada Packers sale

THE McLEAN family, long identified with Canada's Packers, the country's largest single food products manufacturer, wants to sell its 30 per cent controlling interest writes Robert Gibbens in Montreal.

The 62-year-old Canada Packers operates meat, dairy products, animal feed and edible oils divisions as well as pharmaceutical and soap and detergent businesses.

AMP wants Pearl out of its shell

Bruce Jacques and **John Ridding** on a bid to enter the UK market

Paul Murphy

Ian Stanwell, managing director of AMP, (left), with Ian Salmon, chief general manager

Antipodean raiders are something of a commonplace in the international corporate scene.

Nevertheless, yesterday's hostile bid by Australian Mutual Provident, from the ranks of the usually conservative institutional investors, for Britain's Pearl Group, seems certain to raise eyebrows.

Most obviously, the bid is the largest so far in the UK life insurance sector.

Novelty is added by the fact that a mutual company is trying to buy a proprietory company, and no attempt was made to reach agreement with Pearl's board before the bid was announced.

For AMP, its first hostile bid is the most dramatic step in its change of character.

The Sydney-based society is Australia's and New Zealand's biggest life office and investment institution, with a 140-year history and total assets exceeding A$30bn (US$23bn).

One of the country's oldest and traditionally most conservative institutions, the AMP dominates Australian stock markets, holding about 4 per cent of all listed equities.

It is also one of the biggest investors in property and fixed interest, with operations and investments spreading through banking to pastoral activities.

The once crusty AMP has moved in recent years, from an invariably passive stance to a more active approach, especially to its equity investments where its size has made it pivotal in most of the country's biggest takeover bids.

A successful bid for Pearl would mark the AMP's second, and largest, move outside its Australian insurance base.

It took over London Life, a mutual insurer, earlier this year, serving notice that it considered Australia was no longer a large enough market. Analysts are also predicting the AMP may buy a US life office within a year.

Motivation for the offshore push stems from two main influences.

One was a management shuffle two years ago which established Mr Ian Stanwell as chief executive, flanked by Mr Leigh Hall as chief investment adviser.

While remaining essentially conservative in their investment decisions, the two men have given the institution a more aggressive and entrepreneurial flavour.

The management changes also made Mr Stanwell's main rival for the top job, Mr Ian Salmon, general manager of overseas operations.

This is now emerging as the main growth centre of the group, strengthening Mr Salmon's position for the future.

But probably a more important influence on the latest move is the challange being mounted to the AMP's Australian supremacy by its arch rival, the Melbourne-based National Mutual Life Association.

After looking unassailable even three years ago, the AMP has now been pipped by the National Mutual in several important measures of overall size.

In 1988, for instance, the National Mutual ended the AMP's 139-year dominance in new premium income, and has drawn close to level on sales and premiums.

The logical move, as with any other industry in the small Australian market, has been to go offshore.

If AMP is rapidly throwing off the conservative image typically associated with life insurance companies, Pearl has yet to do so.

According to one analyst "the company is often regarded as having a sleepy management."

But for Mr Youssef Ziai, insurance analyst at UBS Phillips & Drew this is rather unfair.

"They might have been a bit more aggressive, but pre-tax profits and dividends have both grown at a compound rate of about 18 per cent during the last 10 years and the dividend has risen by 18 per cent. These numbers are towards the top end of the sector."

He argues that companies such as Pearl, which derive a large amount of their business from the sale and collection of premiums from trade unionised armies of door-to-door agents, are bound to have a relatively unsophisticated image because of the client base they serve.

Nonetheless, the fact that Pearl still receives about one-third of its pre-tax profits from such industrial branch activities does involve problems.

Premiums from this source fell 25 per cent last year, to £24.5m, reflecting the trend towards direct-debit bank account schemes.

In addition, the Financial Services Act, which requires insurance sellers to offer "best advice," has pushed policyholders towards the better returns offered from branch or "ordinary" activities.

AMP argues that Pearl is too dependent on door-to-door operations and must develop branch-based activities.

Other UK companies have seen the solution in terms of diversification, although some of the new areas, including estate agencies, have run into difficulties because of the depressed housing market.

Mr Einion Holland, Pearl's chairman, sees the answer partly in switching its 5,500 sales force from collecting premiums to marketing new products.

He points to the 170,000 personal pensions which the company has sold since July 1988 and the 2m households covered by its sales force.

In addition, he argues that while industrial branch business will continue to decline, it represents a secure earnings base which is relatively protected from the vagaries of the broader economic environment.

Strength is also provided by the group's asset base.

At the end of 1988, Pearl's life funds had total investments of £6.65bn, almost twice as large as its liabilities to shareholders.

In terms of its shareholdings, however, Pearl is relatively unprotected.

Most other UK life insurance companies enjoy the benefits of a complex set of crossholdings.

Britannic, for example, has at least a quarter of its shares in friendly hands, compared with about 10 to 15 per cent for Pearl.

Even if AMP should succeed in winning the uncommitted shareholders, it would take some time for the benefits to flow through.

One analyst estimated the financing of the bid could lumber AMP with interest costs of about £150m a year, compared with pre-tax forecast of about £70m for Pearl.

Furthermore, the stakes are likely to rise.

Although AMP paid a mere 418p for Pearl's shares as recently as June when it hought fellow Australian insurer FAI's 13.5 per cent stake, the circumstances are now very different.

AMP's stated aim of holding 5 per cent of the UK life assurance market means that it is likely to have to pay more for the privilege.

INTERNATIONAL COMPANIES AND FINANCE

Travel agents face quality tactic

David Churchill on BA's ploy to gain ground in the UK holidays war

While a truce has been declared in the price war among tour operators, the new battleground in the UK travel trade is being fought out among travel agents.

The sector is already in turmoil because of falling demand for foreign holidays. This week British Airways is seeking to shake it up further.

Its strategy is aimed at providing a better service than many other UK travel agents, where fierce competition over price has led to declining standards.

Yesterday BA opened in Cambridge its 24th travel agency under the Four Corners name, and today it opens a travel centre – one of the largest in the UK – in London's Regent Street.

One of BA's targets will be to cut desk queues, which it believes discourage business. A system of bleepers will operate at its new Regent Street centre, enabling customers to shop in a mini-mall or have a snack while waiting.

"It cuts out the potential waiting in line that many customers find irritating," says Ms Sheila McAuley, managing director of BA Enterprises, which operates the centre.

BA's existing travel centre in Regent Street, which will be closed, handles about 600,000 passengers a year: the new centre will have three times the capacity.

HOLIDAY MARKET SHARE BY VOLUME (%)

Travel Agent	1988	1987
Lunn Poly	15.0	10.5
Thomas Cook	12.0	11.5
Pickfords	9.0	7.0
Hogg Robinson	4.0	4.5
A T Mays	4.0	4.0
Others	56.0	62.5

Source: Marketing Strategies for Industry

BA says it wants to take a different approach to the business of selling travel and related services, in the hope of building market share.

"The situation is very similar to the grocery retail trade of the late 1970s when the multiple retailers started selling manufacturers' branded goods at a discount," says Mr Michael East, an independent travel consultant with the Eastcastle Management group.

A decade later it is travel agents who are trying to build up market share by offering discounts of up to £100 on most holidays, as well as promotional offers ranging from free insurance to looking after houses while customers are away.

The battle, however, is largely being fought among the leading travel agency chains such as Lunn Poly, Pickfords, Thomas Cook, AT Mays, and Hogg Robinson, with a few of the smaller players such as WH Smith and AA Travel.

Although the top five multiples alone account for only a quarter of the market in terms of numbers of shops, they captured about half the total volume of holiday packages sold last year.

Yet even this is not enough. The problem for the large multiples is that they have invested heavily in new stores and refurbished existing sites in recent years in the belief that package holiday travel was a non-stop growth market.

"The reality this year is that not only has the market fallen sharply but that the tour operators are already planning for the first time to reduce capacity next year," says Mr East.

This leaves the multiples having to chase market share through price discounting simply to stay in the game.

"With the high fixed costs of most multiples, we have to attract as much business as we can through every means, including discounts," says Mr Richard Lovell, managing director of Pickfords Travel.

"But that doesn't mean we don't recognise the dangers of offering price discounts."

Mr Brian Perry, chairman of Hogg Robinson, agrees. "Offering discounts doesn't actually build market share because it doesn't encourage customers to stay loyal to one chain. You need to offer them a higher level of service and quality to gain repeat business."

Encouraging higher levels of service has not been easy in the past few years, as demand for holidays grew steadily along with the overall increase in disposable income.

This growth encouraged many small travel agents to start up – total numbers rose from about 5,000 in 1985 to more than 7,000 last year – and most of these are owner-operated shops.

What many observers of the industry expect is that small independent travel agents will be increasingly squeezed out of business in the next year while some multiples restructure.

The holiday travel operations of WH Smith and AA Travel, it is suggested, may be scaled down to make way for other retail opportunities while there is speculation of mergers or forced acquisitions involving some of the Big Five agents.

BA's strategy of retailing travel would thus seem to make sense. It follows the approach adopted by Marks and Spencer which built up a strong position in food retailing in the 1980s not by joining the cut-price competition offered by the other supermarket chains but by offering quality and service.

Gotabanken to bid for remaining shares in regional banks

By John Burton in Stockholm

GOTABANKEN, Sweden's fourth-largest commercial bank, said yesterday it would merge with two regional banks it controls by making a SKr1.3bn ($203m) bid for outstanding shares in Wermlandsbanken and Skaraborgsbanken.

The new parent bank, which will be called United Gotabanken, will continue to operate the branch networks of the three member banks under their original names.

Combined assets of the new bank will be SKr100bn, with total pre-tax profits in 1989 expected to be SKr1.3bn.

Gotabanken already owns 70 per cent of Wermlandsbanken and 50.1 per cent of Skaraborgsbanken. Gotabanken expects to complete the acquisition of outstanding shares through a swap share arrangement within two months.

Gabriel Utwitz, president of Gota, the parent company of Gotabanken, explained that the merger would improve profitability through rationalisation. It is the latest step in an extensive re-organisation of Gota, formerly Gotagruppen, involving the creation of three business areas: banking, special financing and investment.

Gotabanken has 150 branch offices mainly in Stockholm, Gothenburg, Malmo, Oreabro and the province of Smaland. Wermlandsbanken's 60 offices are largely concentrated in the province of Wermsland, while Skaraborgsbanken's 40 outlets are located mainly in the province of Vastergotland.

The director of Sweden's Bank Inspectorate, which must approve the merger, expressed initial approval of the development.

Gota reported that operating profit rose by 27 per cent to SKr786m during the first eight months of 1989 and that pre-tax profit for the year should reach SKr1bn.

Operating revenue rose 10 per cent to SKr2.8bn, while operating expenses increased by 7 per cent to SKr1.86bn. Operating profit for Gotabanken rose by 8 per cent to SKr520m.

Kone in Danish purchase

By Enrique Tessieri in Helsinki

MACGREGOR-NAVIRE, the big cargo access equipment subsidiary of Kone, the Finnish lifts and crane-making group, has acquired Dan-Elevator of Denmark, a leading manufacturer of passenger lifts for ships.

Some 20,000 ships are today equipped with MacGregor-Navire cargo handling equipment, which represents a 60 per cent stake of the global market for this sector.

Kone, whose sales reached $1.45bn in 1988, had owned 20 per cent of Dan-Elevator since 1984.

"This is a strategic purchase," said Mr Rainer Aalto, controller of the Turku-based MacGregor-Navire. "Our market prospects will expand. We are now leaders in cargo lifts and with this most recent acquisition we become global market leaders in the passenger and goods lifts sector."

Dan-Elevator, which employs 50 people, had turnover of FM30m ($4.12m) in 1988. Net sales for MacGregor-Navire reached $450m last year.

Kone acquired Navire Cargo Gear in 1982 and MacGregor Industries the following year. Both companies were merged by the parent company in summer 1983.

Philips and Hitachi in US venture

PHILIPS, the big Dutch electronics group, and Hitachi of Japan are to set up a plant near Boston to manufacture computed tomography (CT) scanners, AP-DJ reports.

Hitachi will control 51 per cent of the joint venture company, CT Scanner Manufacturing, with Philips owning the rest.

The plant will produce between 150 and 200 CT scanner units a year.

Japanese link ensures independent Virgin

By Robert Thomson in Tokyo

AS FAR as pop music goes, Virgin records can claim to represent many of the medium's more sophisticated acts. The same cannot be said of Pony Canyon, the Japanese company that yesterday announced the purchase of a 25 per cent stake in Virgin Music Group for $150m.

Stars of the Pony Canyon roster are seven roller-skating teenage boys who go by the collective name of Hikaru Genji and have a fanatical following of even younger roller-skating Japanese girls. Also for the younger end of the market, the company has recently begun marketing the sound effects and music of computer games on compact discs for those who like listening to the sounds even when not playing the games.

While the musical tastes of the two companies clearly differ, Pony Canyon has great influence in the entertainment industry through its membership in the private Fujisankei Communications Group. FCG, which comprises 102 companies, has an annual turnover of around $5bn and is run by the influential Shikanai family.

Other member companies include the Fuji Television Network, which reaches 98 per cent of Japanese homes, the Sankei Shimbun and affiliated newspapers, with a combined daily circulation of around 12m, and Nippon Broadcasting System, which has 37 affiliates. Pony Canyon has taken half the Virgin stake, while Nippon Broadcasting and FCG share the remainder.

Mr Akira Ijichi, president of Pony Canyon, said the company still had something to learn about entertainment and that Virgin Music would be a good teacher. The purchase entitles Pony Canyon to a member on the present Virgin board of four, though the establishment of the joint company will be delayed by outstanding contracts that Virgin has in Japan.

The British company had apparently been approached by several Japanese companies, including the Saison group, which has extensive interests in entertainment, but chose FCG for — among other reasons — its independence and willingness to allow Virgin to be Virgin.

, Pony Canyon, established in 1966, already has a licensing agreement with the A&M label, which Mr Ijichi said would run its course, and has a high profile as a domestic distributor of videos and as a maker of home video games. The company has rights to manufacture and sell films by numerous foreign houses, including MGM/UA Home Video, BBC Enterprises and Playboy videos.

The company has a reputation for tapping into trends and for turning its stock lines into novelty items and, late last year, began sales of Christmas compact discs, which come with a card and a pre-recorded message. Picking a trend before it breaks in Japan can be particularly lucrative and Pony Canyon executives said yesterday that they respected Virgin's talent for developing new and popular acts.

Pony Canyon has agreed to invest $20m in the development of Virgin's operations in Japan and there are plans to exploit better in the Japanese market Virgin's US music successes. The Japanese company will have overall control of management of the joint company in Japan, while Virgin will maintain the day-to-day control, under the purchase agreement.

FCG's entertainment interests are diverse. It has a famed open-air museum in Japan with a particularly good collection of Henry Moore sculptures, organises Formula One car racing in Japan and stages sumo wrestling tournaments abroad.

Kyocera extends AVX hand of friendship

Robert Thomson reports on a Japanese ceramics group set on European expansion

Finding a suitable production base in Europe has been a recent goal of Kyocera, the Japanese ceramics and electronics group with a habit of going about its business in an un-Japanese way and the buyer last week of AVX, a US-based electronic components group with a strong spread of European operations.

It is typical of Kyocera that the $420m deal should bear the personal mark of Mr Kazuo Inamori, the company's founder and chairman, who has known Mr Marshall Butler, AVX chairman, for 30 years and whose company characterises the purchase not as a takeover, but as a "friendship."

Kyocera, despite its up-front style, was well-known in Japan for its reluctance to establish foreign operations, a wariness perhaps partly due to Mr Inamori's faith in what he calls "intrapreneurship," or expanding from within. But a downturn in earnings this year and difficulties with domestic production have given the company more incentive to develop foreign plants.

The AVX purchase follows a $250m deal in late July for Kyocera to buy Elco, a California-based electronic parts maker, which Kyocera presumed would strengthen its international electronics sales and, in particular, its laser printer operations.

Mr Akihiko Toyotami, Kyocera's industrial policy manager, emphasised that harmony was essential in takeovers. He said the AVX name would remain, that the company's management would not be overhauled and that its corporate strategy would be respected.

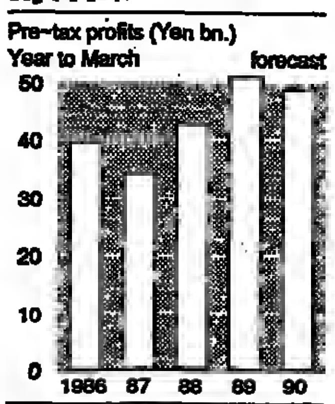
The point of the purchase, Mr Toyotami said, was the European plant that comes with AVX. There are two factories in Northern Ireland, one each in England, West Germany and France, which, among them, will be able to supply components to Japanese consumer electronics companies expanding production in Europe.

"AVX has many facilities in Europe and Kyocera had no plan to build a plant by itself, but we wanted production facilities. It was very important to us to get a production base before 1992. It is very far away from Japan and it was too difficult to supply components made in Japan," Mr Toyotami said.

'AVX has many *facilities in Europe* and we needed to get a production base before 1992'

Kyocera

Pre-tax profits (Yen bn.)



Japanese companies have a habit of paying cash when acquiring but, in this case, each AVX share will be exchanged for 0.39 of a Kyocera American depository share listed on the New York Stock Exchange — each ADS represents two Kyocera common shares. Mr Toyotami said the absence of cash was another sign that the deal was more a "friendship" than an acquisition.

Kyocera has faced stronger competition within Japan in integrated circuit ceramic packages, of which it is the world's largest manufacturer, but the strength of the domestic economy bolstered last year's pre-tax profits. In the 12 months to March, they rose 18.2 per cent to Y50.37bn.

The company had predicted that pre-tax profits would rise 5 per cent this year, but that prediction was overhauled early in September, when it was announced that a 2 per cent fall was expected, while operating profit was expected to drop 10 per cent. A *struggling semiconductor division* was partly blamed for the downturn, together with a slowdown in domestic demand for electronics equipment and rising labour and depreciation costs.

Problems with core products have not stopped more ambitious developments. The company announced in July that, in conjunction with a technology institute in northern Japan, it had developed a solar car prototype with a top speed of 60 km/h, and that it hoped the car would be widely marketed in five years or so.

Mr Inamori exhorts *his staff 'to return to* the spirit we cherished at the time of our foundation'

Mr Inamori founded Kyocera 30 years ago after falling out with the elders of the company he joined after graduating. He likes to think of his staff as "idealists" who will "return to the spirit we cherished at the time of our foundation and, with this spirit to guide us, we must work harder than ever before."

But the trend of development is away from the traditional strength in ceramics *packaging* and *towards* electronics and communications equipment, even though the ceramics division still provides a share of profits 40 times as large as that of the electronics division.

NGK Spark Plug's desire to broaden its interests and its quick improvement in ceramics quality have been a threat to Kyocera, as the company reported a 20 per cent increase in sales of multi-layer packages until last year. NGK, now struggling a little in a softer market, relies on ceramics for 49 per cent of revenue, with spark plugs providing 50 per cent.

Bearing in mind the stronger competition in ceramics, Mr Inamori has said that Kyocera's aim is to increase the share of electronics division profits to a third of that of ceramics. Growth in laser printer sales has given him confidence, while the company has a 25 per cent stake in DDI, a common carrier and cellular phone specialist.

AMMB restructures and expands equity to 193m ringgit

By Lim Siong Hoon in Kuala Lumpur

ARAB-MALAYSIAN Merchant Bank (AMMB), ranked largest among a dozen Malaysian merchant banks, has announced a corporate restructuring to create a new holding company *and expand its equity by 75 per* cent to 193m ringgit (US$71.9m).

The bank is making a scrip issue at one share for every two held and a rights issue at one for every four. The rights shares are issued at 1.80 ringgit a share; AMMB shares were last traded at 4.10 ringgit each.

After these issues the bank's listing status, plus all its assets and liabilities, are to be transferred to the new investment company without any changes to the existing ownership structure.

Last year, net assets of the bank and its subsidiaries in retail finance, insurance and other financial services were 3.8bn ringgit.

The bonus issue, AMMB said in a statement, would better reflect the value of the group's employment of its net assets. The rights issue was needed to expand the group's financial businesses and to comply with the greater capital requirement that would follow, it said.

Over the past two years, the bank has expanded to managing foreign investment funds. In April it launched the US$50m Malaysia Growth Fund aimed at attracting Japanese investors. Last week, its *Arab-Malaysian First Property Trust* of 135m units, issued at 1 ringgit each, was listed on the exchange. This is the country's first publicly-quoted property trust. It is also open to foreign buyers.

● Foreign-owned shares in Public Bank, the fourth-largest domestic commercial bank, are now being listed separately on the Kuala Lumpur stock exchange.

Foreign investors are allowed to buy into a domestic company, but their combined share ownership is limited to 30 per cent. When this ceiling is reached, the portion of foreign-owned shares is spliced off for a separate listing.

Only two companies have so far reached the 30 per cent quota: Public Bank in May; and Malaysian International Shipping Corporation in June.

The larger purpose of the move is to attract foreign funds to other blue chip stocks such as Malaysian Airlines System, Malayan Banking, and Sime Darby.

HDFI turns in loss of A$15.3m

By Bruce Jacques in Sydney

THE DIMINISHING Australian corporate empire of Mr Lee Ming Tee, an Asian businessman, disclosed another setback yesterday with an A$15.3m (US$11.9m) loss for HDFI, a listed finance and investment group.

The loss compared with a A$29.4m shortfall previously and followed a 70 per cent slide in sales to just A$15.1m. The company, once the hub of Mr Lee's Australian operations, has been struggling for survival since the 1987 stock market crash and in 1988 was forced to seek a repayment moratorium on debts totalling A$130m.

HDFI has been operating under an arrangement with its bankers since surviving a long court battle late last year with a creditor, Tricontinental Corporation.

Directors said yesterday the loss was caused by a further provision for diminution in the value of investments and direct costs of A$13.8m associated with the debt moratorium. *Despite the recent poor results,* which have all but wiped out shareholders' funds, they said the company retained potential for restructuring.

"While the cumulative losses *over the past two years have* severely eroded the capital base, the company enjoys continuing support from its lenders," directors said. "This support should enable the company to consolidate its leasing and real estate services business to form the basis of a restructured group."

Directors said most of the latest deficit stemmed from its *Dynasty Industries* subsidiary, but another loss-making operation, Ultimate Funds, had been sold. The result excluded a $A2.6m extraordinary loss which pushed the bottom-line deficit to A$17.9m compared with a A$53m loss previously.

Wearne raises funds

WEARNE BROTHERS, a Singapore trading group, has proposed a two-for-five rights issue at S$4.50, with net proceeds of about S$144m (US$73m) being used to reduce borrowings and as working capital, Reuter reports from Singapore.

The new shares will not qualify for a dividend for the year which ended on September 30.

BNZ sees modest profit as beginning of recovery

By David Lascelles, Banking Editor

BANK of New Zealand, which had to be rescued from severe loan losses earlier this year, expects to make a modest profit in its latest financial year.

Mr Lindsay Pyne, the group chief executive, said in London yesterday that the extent of the loan losses had been identified and no further large provisions would be necessary. "The bank continues to trade profitably," he said.

Following the crisis earlier this year, which entailed NZ$1.3bn (US$769m) provisions, New Zealand's largest bank had to be recapitalised, with the Government reducing its stake and Capital Markets, a private investment bank, taking 30 per cent.

Mr Pyne said the aim now was to develop a strategy that would enable the bank to recover and, ultimately, permit the Government to sell its remaining 51 per cent stake. This could happen in 18 months to two years, he said.

The bank's core businesses of consumer and corporate banking, investment banking and treasury would provide the focus for recovery. But management needed to be strengthened and the culture of the bank reshaped to deal with a more commercial environment.

There were pockets of resistance to change within the bank, he said, and the attitudes of a government-owned institution lingered. However, Mr Pyne said he had found other banks supportive of his plans and BNZ had not lost access to any credit lines during the crisis.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 2, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	61.3411	32.7287	43.9645
Albania	(Lek)	10.0337	6.2012	3.3087	4.4446
Algeria	(Dinar)	13.1087	8.1017	4.3227	5.8067
Andorra	(Fr Fr)	10.2875	6.3581	3.3924	4.5570
	(Sp Peseta)	192.55	119.0049	63.4954	85.2934
Angola	(Kwanza)	47.534	29.3782	15.6748	21.0560
Antigua	(E Carr $)	4.3686	2.7000	1.4405	1.9351
Argentina	(Austral)	1056.13	652.7379	348.2704	467.8316
Aruba	(Florin)	2.8962	1.7899	0.9550	1.2829
Australia	(Aus $)	2.0833	1.2875	0.6869	0.9228
Greenland	(Danish Krone)	11.8125	7.3006	3.8953	5.2325
Grenada	(E Carr $)	4.3686	2.7000	1.4405	1.9351
Guadaloupe	(Local Fr)	10.2875	6.3581	3.3924	4.5570
Guam	(US $)	1.6180	1	0.5335	0.7167
Guatemala	(Quetzal)	4.6060	2.8467	1.5188	2.0403
Guinea	(Fr)	485.40	300	160.0659	215.0166
Guinea-Bissau	(Peso)	1051.70	650	346.8095	465.8693
Guyana	(Guyanese $)	48.54	30	16.0065	21.5016
Haiti	(Goude)	8.09	5	2.6677	3.5836
Peru	(Intl)	8452.80	5224.2274	2787.4031	3744.3189
Philippines	(Peso)	35.20	21.7552	11.6075	15.5924
Pitcairn Is	(£ Sterling)	1.00	0.6180	0.3297	0.4429
	(NZ $)	2.7540	1.7021	0.9081	1.2199
Poland	(Zloty)	2257.67	1395.3461	744.4913	1000.0753
Portugal	(Escudo)	257.20	158.9616	84.8146	113.9313
Puerto Rico	(US $)	1.6180	1	0.5335	0.7167
Qatar	(Riyal)	5.8930	3.6421	1.9432	2.6104
Fiji Is	(Fiji $)	2.4257	1.4991	0.7999	1.0745
Finland	(Markka)	6.9063	4.2684	2.2774	3.0592
France	(Fr)	10.2875	6.3581	3.3924	4.5570
Fr. Cty/Africa	(CFA Fr)	514.37	317.9048	169.6191	227.8493
Fr. Guiana	(Local Fr)	10.2875	6.3581	3.3924	4.5570
Fr. Pacific Is	(CFP Fr)	185.92	114.9072	61.3091	82.3565
Gabon	(CFA Fr)	514.37	317.9048	169.6191	227.8493
Gambia	(Dalasi)	12.5427	7.7519	4.1360	5.5560
Germany East	(Ostmark)	3.0325	1.8742	1	1.3433
Germany West	(D Mark)	3.0325	1.8742	1	1.3433
Ghana	(Cedi)	520.00	321.3844	171.4756	230.3433
Gibraltar	(Gib £)	1.00	0.6180	0.3297	0.4429
Greece	(Drachma)	266.15	164.4932	87.7658	117.8959
New Zealand	(NZ $)	2.7540	1.7021	0.9081	1.2199
Nicaragua	(Cordoba)	34484.70	21313.1644	11371.7065	15275.6146
Niger Rep	(CFA Fr)	514.37	317.9048	169.6191	227.8493
Nigeria	(Naira)	11.8599	7.3299	3.9109	5.2535
Norway	(Nor. Krone)	11.1900	6.9159	3.6900	4.9568
Oman	(Rial Omani)	0.6230	0.3850	0.2054	0.2759
Pakistan	(Pak. Rupee)	34.50	21.3226	11.3767	15.2823
Panama	(Balboa)	1.6180	1	0.5335	0.7167
Papua New Guinea	(Kina)	1.3948	0.8620	0.4599	0.6178
Paraguay	(Guarani)	2033.46	1256.7737	670.5556	900.7574
Western Samoa	(Tala)	3.6120	2.2323	1.1910	1.6000
Yemen	(Rial)	15.9778	9.8750	5.2688	7.0776
Yemen PDR	(Dinar)	0.5557	0.3434	0.1832	0.2461
Yugoslavia	(Dinar)	59947.0	37050.0618	19768.1780	26554.5957
Zaire Rep	(Zaire)	676.70	418.2323	223.1492	299.7563
Zambia	(Kwacha)	26.00	16.0692	8.5737	11.5171
Zimbabwe	($)	3.5700	2.2064	1.1772	1.5813

Special Drawing Rights September 29, 1989 United Kingdom £1.269876 United States $1.27981 Germany West D Mark 2.39107 Japan Yen178.278 European Currency Unit Rates October 2, 1989 United Kingdom £1.46856 United States $1.10210 Germany West D Mark 2.06368 Japan Yen153.577

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday, October 2, 1989

Notice to the Holders of EUROPEAN INVESTMENT BANK

Italian Lira 150 Billion Floating Rate Notes Due 1996

Coupon no. 4 due from September 29, 1989 to March 30, 1990 will be payable from March 30, 1990 at the rate of 12.75%
Lit. 322.292per Lit. 5,000,000.-Nominal
Lit.3.222.920per Lit.50,000,000.-Nominal

Banco di Napoli International S.A. Luxembourg
Reference Agent Bank
October 3 1989

HALIFAX BUILDING SOCIETY
£150,000,000
Floating Rate Loan Notes Due 1996 (Series A)

Interest Rate	14.5175%
Interest Period	28th September 1989 31st October 1989
Interest Amount due 31st October 1989 per	
£ 5,000.00 Note	£ 63.64
£50,000.00 Note	£636.38

Credit Suisse First Boston Limited
Agent Bank

HALIFAX BUILDING SOCIETY
£150,000,000
Floating Rate Loan Notes Due 1996 (Series B)

Interest Rate	14.68%
Interest Period	28th September 1989 28th March 1990
Interest Amount due 28th March 1990 per	
£ 5,000.00 Note	£ 361.50
£50,000.00 Note	£3,615.04

Credit Suisse First Boston Limited
Agent Bank

INTERNATIONAL CAPITAL MARKETS

Seoul unveils cautious financial system reform

By Maggie Ford in Seoul

SOUTH KOREA'S Finance Ministry has unveiled proposals to reform the financial system which will gradually introduce an interbank market and competitive foreign exchange trading.

The plans address some of the complaints voiced by foreign banks operating in South Korea, where a shortage of local funds has restricted activity.

The foreign institutions have welcomed the reforms as a sensible and cautious way to modernise a banking system which is inadequate for the demands of an advanced industrial country.

At present the South Korean interbank market is managed by the Bank of Korea, the central bank. Effectively it is divided into three parts – a session for foreign banks, one for commercial banks and another for short-term finance houses.

The market is extremely illiquid due to the central bank's policy of controlling the money supply by soaking up funds through issuing "monetary stabilisation bonds" rather than managing interest rates.

Under the new proposals the three sessions will be combined and brokers will be introduced to help match funding needs. The Government has already encouraged short-term finance companies to take on this new role.

Telexes and facsimiles may be used in the new call market and the need for a physical presence will be abolished. There will be no limit on the number of deals or the amounts involved.

Foreign bankers said the move was a step in the right direction, but they warned that if there was no liquidity in the market it would not function. They also urged the authorities to introduce longer term instruments as, at present, borrowing is permitted only up to 15 days.

Liberalisation of foreign exchange trading has been introduced in an effort to encourage South Korean commercial banks to compete. Long regarded as a lending arm of the Government, the banks are inexperienced in almost all aspects of modern banking.

Under the new rules the spreads for foreign exchange transactions have been widened and same-day deals are permitted. Red tape designed to control speculation, such as the need to show documentation of an underlying trade deal, has been reduced.

Foreign bankers believed this would encourage competition in an area where local banks had acquired some expertise. They expected increased volume in the market at lower spreads.

The proposals will change the funding system for foreign banks, enabling them to raise their capital to a higher level. At present the banks acquire funds through a swap facility with the central bank, but the amount is restricted.

Under the new system the ceilings on certificates of deposits (CDs) will be raised, along with the ceiling on capital increases, which governs the amount of funds the banks can bring in from outside.

As well as favouring foreign banks, the new rules appear to encourage wider participation by the bigger local banks, reducing the cost of introducing funds.

The ministry's proposals reflect the need for caution while switching from the present highly controlled system to a modern competitive environment.

Although officials recognise the need for change, they want to prevent loopholes which would allow big companies or banks to damage the Government's broader economic goals.

Last year banks were reprimanded for trading in currency options, which succeeded in increasing sharply the money supply at a time when the ministry was concerned about inflation.

The reforms are likely to proceed cautiously, with officials keeping a close watch on all participants.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 2

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Bank Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Flemming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; Wallman Int.; S.G. Warburg Securities; Wood Gundy

INTERNATIONAL CAPITAL MARKETS

Treasuries mixed after managers' report

By Janet Bush in New York and Rachel Johnson in London

US TREASURY bonds were left mixed after the release of the latest report from the National Association of Purchasing Managers (NAPM), the earliest indication of economic activity in September.

At midsession, short-dated maturities were quoted

GOVERNMENT BONDS

unchanged to marginally lower while the Treasury's benchmark long bond stood ⅛ point higher for a yield of 8.22 per cent.

The purchasing managers' index edged higher to 46 per cent in September from 45.2 per cent in August. The report's overall message is that the economy is continuing to decline but it fell at a less rapid rate last month than in August.

The manufacturing sector of the economy declined for the fifth consecutive month, according to the report, but each component of the index, apart from vendor deliveries, fell more slowly than was the case in the previous month.

The reaction of the bond market was muted. On one hand several economists had expected an even higher index in September, of perhaps 46.3 per cent.

On the other, there was nothing in this report to give the US Federal Reserve new justification for easing monetary conditions.

The report's message on inflation continues to be encouraging, with prices declining for the fourth consecutive month in September.

US financial markets continued to focus on events on foreign exchanges as the dollar remained well bid in the face of another round of central bank intervention.

In New York at midsession the dollar was quoted towards the top end of its range against the yen at Y139.50 and at DM1.8750, compared with an earlier low of DM1.8660. Expectations are running high that the Bundesbank will raise its Lombard rate this week.

Today, the policy-making Federal Open Market Committee starts its regular meeting amid expectations that no easing in conditions will be forthcoming.

Among economic releases due this week is the report on September employment, due on Friday. This is the key statistic for financial markets.

■ OPINION was divided yesterday whether the Bundesbank would raise interest rates at its policy meeting on Thursday and, if it did, by how much. One London-based trader said the majority expected a rise of 50 basis points, although anything up to a full percentage point was thought to be within the realms of possibility.

The 7 per cent bond due 1999 was fixed 20 pfennigs lower than on Friday, to yield 7.03 per cent. Trading was light in advance of Thursday's Bundesbank meeting, and buying centred on shorter maturities in the expectation of an interest rate rise.

The Bundesbank's average yield of public paper was 7.22 per cent yesterday, the highest since April 15 1985. On Friday the yield was 7.19 per cent.

■ The UK government bond market saw little activity and traded within a very narrow range on both cash and futures markets. Retail sales figures did nothing to liven the market: at the long end gilts closed a couple of ticks higher. The benchmark 2003/07 closed ⅛ higher to yield 10.13 per cent. Among shorts, prices were unchanged.

"There was no action on the foreign exchanges, but base rates fears have not gone away," one analyst said.

■ The Japanese government bond market ended lower than on Friday, but drew reassurance from Sunday's by-election victory by the ruling LDP. "The market's political fears have lost some of their edge," a dealer said. Volumes were heavy for a Monday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-12	+3/32	11.71	11.17	10.95
		9.750	1/98	95-00	+0/32	10.67	10.37	10.22
		8.000	10/08	94-24	+6/32	8.51	8.44	8.30
US TREASURY *		8.000	8/99	99-03	+4/32	8.28	8.27	8.17
		8.125	8/19	99-29	+6/32	8.23	8.23	8.18
JAPAN	No 111	4.600	6/98	98.2565	-0.286	5.22	5.17	5.11
	No 2	5.700	3/07	105.5434	+0.291	5.10	5.06	5.05
GERMANY		6.750	6/99	98.0000	-0.100	7.04	6.91	6.86
FRANCE	BTAN	8.000	7/94	95.5516	-0.269	9.17	8.94	8.65
	OAT	8.125	5/99	95.0400	-0.410	8.90	8.68	8.39
CANADA *		9.500	10/99	98.3500	+0.200	9.78	9.71	9.51
NETHERLANDS		7.250	7/99	98.8500	-0.010	7.42	7.21	7.17
AUSTRALIA		12.000	7/99	91.1327	+0.101	13.58	13.48	12.93

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Japanese groups renew CP demands

By Stefan Wagstyl in Tokyo

JAPANESE finance, leasing, and consumer credit companies have renewed a long-standing battle for permission to issue commercial paper.

Among financial companies, only banks have been allowed to issue paper in the market, which has grown hugely since it was started in late 1987. Other financial groups – including the large securities companies and finance groups – have been pressing for the rules to change.

Banks are opposed to change as the ability to raise commercial paper gives them a crucial advantage in the fight to secure low-cost funds. They are concerned about competition from both securities firms and financing companies, which has grown rapidly in the past 20 years.

The Ministry of Finance is reviewing the market's rules with a view to increasing access. The Japan Federation of Consumer Credit Companies said yesterday it believed the ministry's securities bureau was willing to allow non-bank financial companies into the market.

Chile to establish fully electronic SE

By Barbara Durr in Santiago

THE Stock Exchange of Chile, the country's first all-electronic stock exchange, expects to be in operation by the end of this year. It will be the third stock exchange after Santiago, the main stock market, and Valparaiso.

Seven foreign banks will participate as members, either directly or through broking subsidiaries. These include Chase Manhattan, Citibank, Bank of Boston, Banco de Santander, NMB of the Netherlands and Banco Espanol.

The exchange's network will comprise a total of 23 brokers and nine commercial banks. Initial capital for a market participant will be 294m pesos or $1.1m.

Mr Eduardo Sanguesa, the exchange's general manager, said the upsurge in equity trading volume in Chile lay behind the new market. "Between 1984 and 1988 the volume traded in the market has multiplied 14 times and stock market profits by around 33 times," he said.

The exchange will offer a better service to investors, with transactions recorded instantaneously. It will be able to accommodate regional business and could eventually lead to a nationwide trading system.

For its part, the Santiago stock exchange is preparing to start a financial futures and options market. Forward contracts are already practised outside the exchange and members feel it is time to formalise the market.

Trading is expected to start by the beginning of next year but many observers feel the market could take some time to develop.

Danish insurer turns in good interim profit

By Hilary Barnes in Copenhagen

TOPDANMARK, the insurance group which acquired listings on the London, Frankfurt, Geneva, Basle and Zurich stock exchanges following a share issue this summer, has turned in strong first-half profits.

For the first six months total operating profits climbed from DKr101m to DKr136m ($18.6m). The company said the performance owed much to the mild spring which kept weather-based claims to a minimum.

The company's insurance division achieved an operating profit of DKr155m for the half-year. This compares with insurance operating earnings of DKr109m last year.

Topdanmark incurred a small capital loss during the half year. However, the company pointed out that for the full 12 months the directors expected operating profits to exceed last year's DKr200m.

Nissan Motor's $1.5bn enlivens dull day

By Andrew Freeman

A $1.5bn deal with equity warrants for Nissan Motor was the only new issue of note on the Eurobond market yesterday. Dealers mostly struggled to keep themselves occupied as markets remained in depressed mood and investor interest stayed minimal.

The Nissan deal was launched by Yamaichi International

INTERNATIONAL BONDS

(Europe) to a fine reception, however. The bonds with warrants carry an indicated coupon of 3⅞ per cent and were trading at best at 103 bid, a premium to the par issue price. Full underwriting fees were 2¼ per cent.

The price later settled at 102¾ bid, with the lead manager reporting strong demand via a syndicate of 30 international banks. Final terms will be set later this week.

Elsewhere, it was the state of the market that was pre-occupying syndicate officials. With new-issue prospects dampened by the uncertain outlook for interest rates and the dollar, many banks are said to be nursing substantial losses on their recent Ecu deals.

The recent World Bank $1.5bn global issue continued trading at a spread over the equivalent US Treasury of a mere 22 basis points.

In Switzerland, a straight-maturity SFr200m seven-year issue for Caisse Nationale des Telecommunications (CNT), the state-guaranteed utility, was steady at less 1⅛ bid against its par issue price.

The deal, brought on Friday by UBS, carried a 6 per cent coupon and met good demand from investors. UBS launched the deal as a private placement, so underwriting fees were not disclosed. There were some declines from banks invited into the deal, apparently on price grounds.

A SFr150m 10-year public deal issued by CNT in June with a 5¾ per cent coupon was trading yesterday at 100¼, down ¼ point from Friday's close.

A SFr50m deal with equity warrants for Girozentrale Vienna issued last month by Crédit Suisse closed for public subscription last Friday. A rise in the underlying share price has pushed the price of the bonds to a huge premium. Crédit Suisse was quoting the paper at plus 14½ bid late yesterday, while another bank was quoting as high as plus 18 bid over the par issue price.

In Germany yesterday prices on the secondary market dropped by about ⅓ point in thin turnover amid lack of demand ahead of Thursday's Bundesbank meeting. The African Development Bank's 7⅛ per cent deal fell by ⅓ point to 97.10 bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Nissan Motor Co.♦	1.5bn	(3⅞)	100	1993	2¼/1½	Yamaichi Int. (Europe)
Swedbank♦	25	8⅞	100⅞	1990	⅜/⅛	Sanwa International
Hitachi Maxell(a)♦	60	4	100	1993	2¼/1½	Nikko Secs. (Europe)
SWISS FRANCS						
Bank of Fukuoka(b)♦★§	300	½	100	1994	n/a	UBS

★Private placement. ♦With equity warrants. §Convertible. ♦Final terms. a) Coupon indicated at 4⅜%. b) Coupon fixed as indicated. Put option fixed to yield 3.590% (indicated 3.065%.)

Steel authority raises DM246m

By Andrew Freeman

A DM246m 10-year term loan has been arranged for the Steel Authority of India by Deutsche Bank Luxembourg. The facility covers the financing of supplies and services to be provided to the borrower's steel plant at Durgapur, West Bengal, by Mannesmann, the West German company.

The loan carries a margin of 25 basis points over Libor and the guarantee of the Republic of India. Funds will be drawn within a five-year commitment period.

● Samuel Montagu has arranged and placed a £25m floating-rate note issue for Cheltenham & Gloucester Building Society, the eighth-largest UK building society. The notes carry a margin of 40 basis points over Libor.

Portuguese SE officials plan second share market

By Patrick Blum in Lisbon

PORTUGAL'S stock exchange authorities are planning to set up a second share market aimed at small- and medium-sized companies.

Mr Fernando Costa Lima, managing director of the Oporto bolsa, said the plan was for a market along the lines of London's unlisted securities market. The necessary legislation is expected to be approved in January.

Portugal's two stock exchanges, in Lisbon and Oporto, have seen a spectacular revival following the Government's privatisation programme. Many small- and medium-sized companies, typical of much of Portuguese industry, have good growth prospects but are limited by lack of capital. Tight credit controls and high interest rates have made it difficult for them to raise finance ahead of 1993.

The new market will have less stringent requirements than the main exchanges. Initially a company will only need to offer about 10 per cent of its shares to the public, compared with 25 per cent on the main exchanges. Rules for disclosure of accounts – a sensitive issue for many family-owned companies – will also be made easier.

Mr Costa Lima said: "Companies will have the choice. Either they don't disclose and don't grow, or they disclose and grow."

India to reshape broker network

THE Foreign Exchange Dealers' Association of India (FEDAI) is taking steps to restructure India's network of brokers in an attempt to improve the workings of the foreign exchange market, Reuter reports.

A senior FEDAI official said: "There will be opposition but we will go ahead with the revamping of the broker network." FEDAI implements foreign exchange guidelines issued by the Reserve Bank of India.

There are 55 foreign exchange brokers operating in India's four biggest cities. They account for about 60 per cent of total daily forex turnover, estimated at $800m.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Sep 29 Index No.	Thu Sep 28 Index No.	Wed Sep 27 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (54)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (184)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (95)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (485)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (121)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (1)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (699)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Year ago
FT-SE 100 SHARE INDEX♦	2289.2	-18.2	2289.3	2271.9	2299.4	2291.7	2331.2	2336.1	2359.6	1802.6

FIXED INTEREST

	PRICE INDICES	Mon Oct 2	Day's change %	Fri Sep 29	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.01	+0.06	116.18	0.24	9.66
2	5-15 years	130.85	+0.13	130.68	-	9.84
3	Over 15 years	140.24	+0.24	139.91	-	11.64
4	Irredeemables	162.45	-0.35	163.02	-	8.43
5	All stocks	128.52	+0.12	128.46	0.08	10.11
	Index-Linked					
6	Up to 5 years	138.83	-0.20	139.11	-	2.29
7	Over 5 years	137.21	-0.01	137.23	-	2.89
8	All stocks	137.21	-0.03	137.25	-	2.82
9	Debentures & Loans	110.40	+0.07	110.34	0.82	8.26
10	Preference	88.69	+0.27	88.68	0.23	4.71

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 2	Fri Sep 29	Year ago (approx.)
	British Government				
1	Low	5 years	10.21	10.17	9.74
2	Coupons	15 years	9.60	9.59	9.40
3		25 years	9.46	9.45	9.09
4	Medium	5 years	11.12	11.14	10.15
5	Coupons	15 years	9.97	9.99	9.62
6		25 years	9.75	9.75	9.25
7	High	5 years	11.24	11.25	10.25
8	Coupons	15 years	10.17	10.19	9.78
9		25 years	9.81	9.83	9.34
10	Irredeemables		9.53	9.49	9.07
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.52	3.45	3.26
12	Inflation rate 5%	Over 5 yrs.	3.62	3.61	3.89
13	Inflation rate 10%	5yrs.	2.70	2.62	2.16
14	Inflation rate 10%	Over 5 yrs.	3.45	3.44	3.72
15	Debs &	5 years	13.00	12.94	11.75
16	Loans	15 years	12.17	12.15	11.25
17		25 years	11.57	11.58	10.91
18	Preference		10.35	10.38	10.25

♦Opening index 2287.7; 10 am 2272.3; 11 am 2274.6; Noon 2280.9; 1 pm 2280.6; 2 pm 2280.6; 3 pm 2279.8; 3.30 pm 2285.5; 4 pm 2286.8 (a) 4.45pm (b) 16.04am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Norton Opax (32) has been deleted and replaced by Macallan Glenlivet (22).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	73	12	20
Corporations, Dominion and Foreign Bonds	11	0	20
Industrials	272	659	663
Financial and Properties	112	253	304
Oils	24	36	33
Plantations	0	2	9
Mines	33	40	101
Others	91	65	100
Totals	616	1,067	1,250

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
-	F.P.	10/7	186	63	WPP Warrants	143	-	-	-	-	-
§109	F.P.	-	121	115	‡Westminster Scaffold 10p	120	-1	R5.0	1.6	5.5	13.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	102p	35½p	Bowater Inds. 7.75pc Cv. Pf.	101p	
105p	F.P.	-	108½p	101½p	British Aerospace 7.75p (Net) Cv. Pf.	102p	-½
100	Nil	-	2½pm	1½pm	British Airways Cap. 9¾pc Cv Bonds	2pm	
100p	F.P.	14/9	102p	92p	‡Corton Beach 7.5p(Net) Cv. Pf.	92p	-1
	F.P.	-	51p	50p	Gartmore Am. Secs. Zero Div Pf 5p	50pxd	-½
♦ 100p	F.P.	28/7	104p	96p	Hartwell 7⅞p (Net) Cv. Pf. £1	97p	-1
100p	F.P.	-	106p	101p	‡Kunick 8.25p Cnv. Rd. Pf	104p	-1
§100	F.P.	-	103	100	Leveraged Opportunity Tst Cv Uns Ln	102½	
100p	F.P.	-	107p	93p	London Secs. 8¼pc Cv. Rd. Pf.	94p	+1
‡100p	Nil	-	2ppm	½ppm	Lookers 8pc Cnv. Rd. Pf	¾ppm	
-	F.P.	-	100	99½	Nationwide Anglia 13⅞pc Bds. 13/8/90	99½	
-	F.P.	-	100	99¾	Do. 13½pc Bds. 3/9/90	99¾	
§99.1	F.P.	-	107	99½	Do. 4.25pc Index-Linked 2024	104½	-¼
100p	F.P.	-	103p	98p	Owen & Robinson 8½pc (Net) Cv. Pf.	100p	
♦	F.P	-	88p	85p	PFG Hodgson Kenyon 6¾pc Pf. '91-2001	85p	
100p	Nil	-	3ppm	1½ppm	Ransomes 8.25p (Net) Cv. Pf. 12½p	2ppm	
§100	F.P.	21/8	105½	101½	Renaissance Hldgs 8.5pc Cv Ln 1994	101½	
121	F.P.	-	121	116½	Scot Am Inv Eq Index Uns Ln 2004	116½	-1½
§420p	P.P.	10/7	138p	107p	Tiphook Units	126p	
§100p	F.P.	25/7	121p	100¾p	WPP 8.25p Cv. Rd. Pf. 10p	114p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
66	Nil	-	9pm	6pm	‡Acsis Group 10p	7pm	-½
245	Nil	-	25pm	5pm	Canning (W)	6pm	
160	Nil	-	13pm	7pm	Colefax & Fowler	8pm	+1
125	Nil	-	10pm	7pm	Evered	9pm	
40	Nil	18/10	5½pm	¾pm	‡Explaura Hldgs. 5p	¾pm	-¾
245	Nil	-	95pm	71pm	Polly Peck Intl. 10p	80pm	-4
225	F.P.	-	278	267	‡Sunset & Vine 5p	267	
k33	Nil	-	37½pm	21pm	‡Tuskar Resources	37pm	+8½
330	Nil	-	41pm	23pm	Wace Group 20p	23pm	-3
115	F.P.	30/9	149	139	Wheway	146	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. K Dividend and yield based on prospectus or other offical estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. O Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Sep 25
● Last Dealings Oct 6
● Last Declarations Dec 21
● For settlement Jan 8

For rate indications see end of London Share Service

Calls in Norfolk Cap, Hanson Wrnts, Cavendish, Haemocell, Northern Foods, Tuskar, Medirace Wrnts, Eurotunnel Wrnts, Honorbilt, Merlay, Bestwood, Bullers.

LONDON TRADED OPTIONS

The London options market quietened down after Friday's hectic session.

The sharp fall in UK shares over the past fortnight, caused partly by fears of higher interest rates, hung over the options market. But unlike the cash market, sentiment in options was evenly divided between bulls and bears.

"If anything, the trend was towards buying cheap calls in the Footsie series," one senior dealer said. "It's a very inexpensive way of making sure you don't miss any sharp upward bounce, which could conceivably happen if interest rates aren't raised," he added.

The uncertainty about interest rates steered traders away from dealing in individual company options and towards the FT-SE 100 option. Furthermore, the expiry last Friday of the September FT-SE option continued to generate some business.

The FT-SE option traded a total of 19,849 contracts, of which 4,329 were calls and 15,520 puts. Total turnover on the options market was 40,639, against 54,442 on Friday. Monday's total was divided between 17,807 calls and 22,832 puts.

The busiest company option was BP as the underlying share rose on the back of higher oil prices. Business was spread across the traded months and evenly between calls and puts. Total BP turnover, at 1,940 contracts, was split between 930 calls and 1,010 puts. The most actively traded series was the October 300 put, which turned over 650 lots.

Amstrad also featured, trading 1,626 contracts. This was divided between 1,401 calls and 225 puts. The most actively traded series was the December 60 call, which traded 630 contracts.

British Steel traded 1,318 contracts, and included 818 calls and 500 puts. The most actively traded series was the January 145 call, which traded 500 lots. GEC, traded 1,256 contracts, of which 1,246 were calls and 10 were puts. The most actively traded series was the February 240 call, which traded 910 lots.

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Alld Lyons (*512)	500	24	43	62	8	20	26
	550	4½	22	37	40	48	50
Brit. Airways (*209)	180	31	36	42	½	2	3½
	200	13	20	26	2½	7	9
	220	3	35	17	14	17	19
Brit. Com (*142)	140	10	18	23	6	11	15
	160	2	8	13	22	24	26
	180	1½	4	8	40	40	40
Smithk Bchm (*555)	541	23	47	--	10	17	--
	550	-	-	60	-	-	25
	600	3	18	33	48	40	53
Boots (*283)	260	26	35	45	2	6½	35
	280	12	23	30	7	15	17
	300	4½	13	21	21	24	27
B.P. (*301)	280	23	31	39	1	5	8
	300	7½	18	25	5	12	15
	330	1½	6	12½	29	29	31
British Steel (*134)	125	10	-	-	¼	-	-
	135	3	7½	12	3	6½	7
Bass (*1042)	1000	60	85	118	8	30	37
	1050	27	57	90	25	55	60
	1100	8	35	65	65	70	85
C & Wire (*562)	550	28	54	79	13	29	35
	600	7	32	52	46	55	62
Cons. Gold (*1480)	1400	80	-	-	2	3	-
	1450	35	35	-	5	7	-
	1300	4	4	-	-	35	-
Courtaulds (*372)	330	45	54	67	1	4	6
	360	18	31	46	4	10	14
	390	4	16	28	21	25	28
Com. Union (*451)	390	66	80	86	1	3	8
	420	36	54	61	3	8	16
	460	9	28	34	16	20	30
G.K.N. (*432)	420	20	42	50	5	12	21
	460	5	19	30	30	33	43
Grand Met. (*577)	550	36	62	74	5	13	22
	600	9	33	47	28	35	43
I.C.I. (*1237)	1200	57	110	130	15	30	50
	1250	25	80	100	37	48	70
	1300	35	54	75	67	75	95
Jaguar (*573)	500	80	107	125	5	18	30
	550	39	75	92	14	37	45
	600	17	48	70	40	57	69
Kingfisher (*327)	300	30	45	56	1	7	11
	330	11	25	38	12	17	23
	360	1½	14	25	34	37	40
Ladbroke (*329)	325	12	25	--	7	17	--
	330	--	--	33	--	--	21
Land Secur (*560)	550	20	42	60	8	17	21
	600	3	20	33	45	46	50
M & S (*197)	180	20	26	35	1½	4½	6
	200	5½	12	20	7½	10	14
	220	1½	6	11	24	27	26
STC (*335)	300	39	53	-	1	5½	-
	330	14	32	39	7	14	19
	360	3½	17	25	27	35	46
Sainsbury (*272)	260	17	26	35	2½	3	5
	280	5	14	22	12	13	16
Shell Trans. (*424)	390	37	54	62	1	5	12
	420	13	33	41	6	15	20
	460	2½	15	20	37	37	41

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
Storehouse (*141)	130	15	20	23	1½	4½	5½
	140	7	12	17	4	8½	11
	160	1½	5	9	20	22	24
Trafalgar (*386)	377	17	26	--	7	13	--
	390	-	-	32	-	-	28
	420	3	9	20	38	44	48
Utd.Biscuits (*377)	360	24	43	51	4	35	13
	390	8	25	33	18	24	28
	420	3	13	22	46	47	48
Unilever (*623)	550	77	93	-	1	4	-
	600	30	52	71	5	15	20
	650	6	24	42	30	37	42
Ultramar (*325)	300	30	46	54	2	8	12
	330	11	27	36	12	20	26
	360	2	14	22	37	40	44

Option		CALLS Nov	CALLS Feb	CALLS May	PUTS Nov	PUTS Feb	PUTS May
Brit Aero (*633)	550	93	-	-	2	-	-
	600	53	80	90	9	35	26
	650	23	52	63	32	40	50
BAA (*340)	300	45	--	-	1½	--	--
	330	21	35	43	6	13	15
	360	8	18	28	24	29	31
BAT Inds (*815)	750	87	108	-	6	20	-
	800	50	74	95	19	37	40
	850	22	47	65	48	60	65
BTR (*442)	390	58	73	60	3	5	8
	420	33	52	58	5	11	17
	460	11	28	36	27	28	35
Brit. Telecom (*269)	240	34	37	45	¼	3	4
	260	16½	22	31	3	6½	8
	280	6½	11½	18½	13	16	18
Cadbury Sch (*389)	360	41	58	--	4½	10	--
	390	22	40	47	14	28	24
Guinness (*567)	550	32	50	60	11	17	22
	600	11	25	35	43	45	48
GEC (*239)	220	24	31	-	2	4	--
	240	10	17½	24	8	11	12½
	260	5	8	13	22	23	23
Hanson (*212)	200	18	19½	26	2	5½	7
	220	6	9	15	35½	15½	15½
LASMO (*505)	500	28	53	65	17	25	30
	550	10	30	40	52	55	62
P. & O. (*672)	650	47	72	87	13	22	30
	700	20	43	57	40	45	52
Pilkington (*247)	240	17	25	34	7	11	13
	260	7	16	23	17	22	25
Plessey (*268)	240	30	30	--	¼	¼	--
	260	35	35	--	¼	¼	--
	280	¼	¼	¼	12	12	--
Prudential (*195)	180	20	27	35	2	3	6
	200	8	14	16	9	10	15
	220	2	7	9	28	28	32
Racal (*227)	210	26	35	43	4½	9	11
	230	13	23	31	11½	17	19
	250	5½	14	--	26	29	--
R.T.Z. (*541)	500	-	-	82	-	-	15
	542	23	45	-	16	22	-
	550	-	-	50	-	-	35
Scot. & New (*350)	330	33	45	--	8	17	--
	360	17	32	44	20	30	32

Option		CALLS Nov	CALLS Feb	CALLS May	PUTS Nov	PUTS Feb	PUTS May
Tesco (*199)	180	24	33	-	2	5	-
	200	9	17	21	8	11	12
Option		Nov	Jan	Mar	Nov	Jan	Mar
Abbey Nat. (*149)	140	14	18	22	2	2	3½
	160	5½	8	9½	15	13	12½
Option		Nov	Jan	Apr	Nov	Jan	Apr
ASDA Grp. (*183)	180	15	24	30	10	14	19
	200	7½	14	21	22	25	29
Option		Nov			Nov		
Gateway (*237)	220	--	-	-	1	-	-
	240	1	-	-	11	-	-
Option		Dec	Mar	Jun	Dec	Mar	Jun
Amstrad (*67)	60	10	16	20	3	6	7½
	70	5	11	13	8	12	14
Barclays (*516)	500	45	60	63	9	18	23
	550	20	28	36	36	50	55
Blue Circle (*241)	240	-	-	31	-	-	20
	250	13	22	-	16	19	-
British Gas (*209)	180	35	38	44	1	1½	2½
	200	17½	23	29	2½	7	7½
	220	6	9½	16	12	13	15
Dixons (*140)	140	12	17	22	9	12	14
	160	5½	9½	14	24	26	28
Glaxo (*1463)	1400	120	170	-	20	30	-
	1450	85	137	170	37	47	55
	1500	57	105	140	60	70	75
Hawker Sidd. (*700)	700	39	65	77	30	35	42
	750	17	42	52	60	64	70
Hillsdown (*298)	280	31	41	45	5	9	11
	300	17	27	33	13	16	18
Lonrho (*261)	260	--	24	32	--	18	20
	280	--	13	22	--	35	30
Midland Bk (*360)	360	23	32	40	13	23	25
	390	10	18	22	35	43	45
R. Royce (*181)	180	12½	19	24	7½	9	13½
	200	5	11	14	22	22	24
Sears (*117)	110	12	16½	18	2½	4	6
	120	5½	35	13	8	9	11
THF (*326)	300	39	51	-	5	8	-
	330	18	31	36	15½	28	25
	360	8	18	24	37	38	42
Thorn EMI (*798)	750	75	97	--	13	20	-
	800	41	65	90	32	37	42
TSB (*115)	100	19	22	-	1	2	-
	110	10	13	16	4½	5½	4
	120	3½	6	10	8	9	35
Vaal Reefs (*$85)	80	9	13	15	5	7	8
	90	5	9	11	9	12	13
Wellcome (*659)	650	53	85	110	30	40	45
	700	28	57	77	55	65	70

FT-SE INDEX (*2287)

	2200	2250	2300	2350	2400	2450	2500	2600
CALLS								
Oct	115	72	40	19	8	4	1½	--
Nov	139	99	65	42	26	13	8	--
Dec	158	120	85	61	41	24	13	-
Jan	177	138	102	75	53	37	-	-
Jun †	255	-	195	-	130	-	88	35
PUTS								
Oct	15	27	47	78	115	164	214	-
Nov	25	38	58	85	122	164	214	-
Dec	32	47	66	93	123	164	214	-
Jan	42	60	80	103	128	165	-	-
Jun †	60	-	95	-	150	-	223	320

October 2 Total Contracts 40,639
Calls 17,807 Puts 22,832
FT-SE Index Calls 4329 Puts 15520
*Underlying security price. † Long dated expiry mths

Tough trading conditions in the first half have worsened in the second

Tootal held to £19.3m at midway

By Alice Rawsthorn

TOOTAL, the textile group which is awaiting the announcement of the conclusion of the Monopolies and Mergers Commission's inquiry into its proposed takeover by Coats Viyella, yesterday unveiled static pre-tax profits of £19.25m for the six months to July 31.

Mr Geoffrey Maddrell, chief executive, said trading conditions, especially in the UK, were "tough" in the first half and had become "tougher" so far in the second. Earnings per share slipped to 4.65p (5.03p) but the interim dividend is being raised to 1.9p (1.8p).

Tootal agreed terms for a £395m takeover by Coats in May. It had been stalked by Mr Abraham Goldberg, the "Mr Textiles" of Australia who staged an unsuccessful bid for it four years ago, since last autumn.

In June the MMC announced it was mounting an investigation into the implications of the merger of the two groups' UK sewing thread interests. The MMC delivered its report to Mr Nicholas Ridley, Secretary of State for Trade and Industry, last Tuesday. Mr Ridley is expected to announce his decision by October 17.

Mr Maddrell said the uncertainty over the bid had been "distinctly unsettling" for Tootal. But he still considered the merger to be "very beneficial". Coats has already affirmed its intention to renew the bid if possible.

Group sales rose to £253.93m (£238.82m) in the first half. The thread businesses, its main area of activity, saw an increase to £111.81m (£97.01m) but more competition in the US and UK imposed pressure on profits which were static at £10.61m (£10.54m).

The fabric business lifted sales to £35.14m (£33.42m) but profits fell, chiefly because of problems in West Africa, to £2.02m (£3.72m).

The recently restructured clothing and homewares companies boosted profits to £3.9m (£3m) and sales to £68.29m (£64.11m). Specialised materials suffered from product development problems and profits fell to £1.24m (£2.04m) on sales of £25.91m (£20.92m).

The group contribution rose to £492,000 (loss of £1.77m) on the inclusion of £3.3m as part of the proceeds from the sale of Da Gama in South Africa. Similarly the profits from the sale of Sandhurst Marketing contributed £1.43m (£976,000). Interest payable rose to £3.67m (£3.08m).

● COMMENT

In years gone by Tootal's results were littered with a motley assortment of write-offs and write-downs all swept away below-the-line. Those days are over. Now everything is swept away above-the-line. This means that the Tootal board can mutter sagely about painting a true picture for shareholders at the same time as preventing an embarassing plunge in profits thanks to a £3.3m payment from Da Gama and the surplus from the sale of its ill-judged acquisition of Sandhurst. Tootal will be lucky to maintain profits at £42m for the full year and these results act as an apt illustration to shareholders as to why it needs to team up with a larger group. Although whether Coats Viyella is the correct choice of partner – and whether it will be prepared to pay the same price of 139p a share for a company whose shares fell by 1p to 127½p yesterday – remains to be seen.

Geoffrey Maddrell: uncertainty over the Coats bid had been distinctly unsettling for Tootal, but the merger was still considered to be very beneficial

Caradon shares rise 14p on speculation of a bid from MB

By Andrew Hill

SHARES IN Caradon, the building products group, jumped 14p yesterday as speculation increased that MB Group was poised to bid for the company.

MB, which said yesterday it could not comment on market rumour, is expected to make an announcement this morning. The company, formerly Metal Box, is now involved in security printing and the manufacture of central heating and bathroom products, having merged its packaging interests with Carnand, the French packaging group, earlier this year.

Caradon's shares leapt 109p to 456p at the beginning of last month, when the group announced it had received a bid approach. They rose a further 14p yesterday to 488p, valuing the company at £300m.

Caradon manufactures strongly branded products such as Twyfords bathroom fittings, Mira showers, Everest double glazing and Terrain plumbing systems. It made £33.8m in the year to April 2, on sales of £290.6m.

A combination with MB, which makes central heating and bathroom equipment under the Stelrad name, would follow hard on the heels of MB's acquisition last month of ABS Holdings, the US cheque-printer, for £300m.

That doubled the UK company's cheque-printing activities, making it the third largest company in that market. Announcing the results for the three months to June 30 last week, Mr Brian Smith, MB's chairman, described the company as "quietly balanced", and promised to continue to expand organically and by acquisition.

Caradon was formed through a £61m management buy-out from Reed International four years ago and came to the stock market less than two years later valued at £134m.

Ferranti Intl Signal shares to resume trading

By Terry Dodsworth

TRADING IN Ferranti International Signal shares resumes today after a three-week suspension. The stock market expects the price to settle at a level which values the electronics company at between £300m and £450m.

The wide range of forecasts underscores the uncertainty which surrounds Ferranti following its revelation that it has been the victim of a serious fraud.

The company took the first step towards clearing up this uncertainty last week in a long letter to shareholders in which it said that it would take a net after-tax write-off of £185m. This will, however, leave Ferranti with a serious need for both a cash and equity injection – the latter estimated at around £150m by the Ferranti board.

Given these financial needs, and the fact that the details of the suspected fraud are not yet known, analysts expect the shares to start trading today at between 30p and 60p, well down from the 73.5p at which they were suspended.

Some analysts said the price might even fall below the 40p level, less than one third of its 1989 high point of 113.5p.

Ferranti's stock is widely held by a number of institutions although there is no single large holder.

According to market sources, one of the largest blocks of around 20m shares, or around 2.7 per cent of the equity, is currently owned by the market-making arm of the Smith New Court brokerage group, which is believed to have acquired the stake in the summer at a price of around 83p. Smith New Court refused to comment on the reports yesterday.

A further holding of about 2 per cent is held by the General Electric Company and Siemens, which acquired the shares when they took over the Plessey electronics company a few weeks ago. Plessey also bought its holding in the summer.

Although Ferranti has outlined plans for the future which might involve being taken over by another defence company, analysts argue that the shares are unlikely to carry a bid premium in the present circumstances.

Porton chairman receives 54% salary rise despite fall in profits to £5.2m last year

MR WENSLEY Haydon-Baillie, chairman of Porton International, a biotechnology company, received a 54 per cent pay increase last year, taking his salary to £136,929, writes Peter Marsh.

Some shareholders criticised the award, pointing to lack of progress by the company in meeting its profits targets.

Porton, which is backed by £76m from some of Britain's leading institutions, announced a pre-tax profit for 1988 of £5.2m, compared with £6.6m in 1987.

It recently published new financial projections saying it expected to show a taxable profit for 1989 of about £8m. In 1985 investors were told that £128m might be possible for this year.

Mr Haydon-Baillie, whose salary in 1987 was £89,000, formed Porton in 1982 and its sales last year were £13.7m, up from £11.1m the year before. Its shareholders include Legal & General, Sun Alliance, Lloyds Bank, Friends' Provident and the pension funds of Imperial Chemical Industries and British Telecom.

According to the company's annual report, the best paid director, who is not named, earned £270,000 in 1988. The most senior executive in the group, after the chairman, is Mr John Burke, a former director of Glaxo, Britain's biggest drugs group. He took over day-to-day running of the company as chief operating officer on May 1 last year.

Mr Haydon-Baillie, who was not available for comment, received a dividend payment last year from Porton of £462,000, in addition to his salary.

One fund manager with a leading shareholder said he was surprised to see the chairman's salary increase. He was "not particularly comfortable" about the dividend payment.

A second shareholder said the salary increase was "fairly poor form". He added: "Mr Haydon-Baillie is getting his rewards early on while we are all sitting here waiting for something to happen."

Another shareholder said that as the company was privately owned the question of Mr Haydon-Baillie's salary was not of general interest. He said he was happy with the company's progress.

Porton is developing a range of products including a combined vaccine and therapeutic agent for herpes. It said that some of its projects had proceeded less quickly than initially envisaged although prospects for the 1990s were good.

It added that clinical trials on the herpes product, taking place in three centres in the US, should be finished by the end of the year. The company hopes to start selling the product in the early 1990s.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
American Dista § ...int	1.125	Nov 15	-		2.25
Armour Trust ...fin	0.95	Nov 24	0.709	1.2	0.909
BBN ...int	nil	-	1.5	nil	nil
Bilton (Percy) ...int	5.4	Dec 5	5.15	-	15.1
Breemaker § ...int	0.1	Dec 5	nil	-	nil
European Leisure ...fin	1	-	0.133	1.5†	0.133
Halstead (James) ...fin	5.75	-	5	8.5	8.25
Lamont Hldgs ...int	3.25	Dec 1	2.75	-	9.5
Murray Ventures ...fin	4.7	-	3.85	7.2	6
Ossory Estates ...fin	0.45†	Nov 15	0.35	0.75†	0.5
Tootal ...int	1.9	Jan 5	1.8*	-	4.95*
Triplevest ...int	9.9	Oct 31	8.692	-	17.608
Turriff Corpn ...int	4.25‡	Jan 2	3.5	-	11.5
Watts Blake ...int	2.6	Nov 28	2.3	-	7.4
WCRS ...fin	3.35†	-	2.6	5‡‡	3.95

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Carries scrip option. ‡‡For 14 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barry Wehmiller, Brooks Service, Dosflex, Hay (Norman), Holt (Joseph), Lowe Howard Spink & Bell, MR Research, Sheffield Insulations, Ward Group.

Finals- EFM Dragon Trust, HTV, Melville, Raine Inds.

FUTURE DATES

Interims-	
Argyll	Nov. 28
Dauphin	Oct. 27
Jitra Rubber Plants	Oct. 6
London & Manchester	Oct. 10
North Sea & General	Oct. 6
Ocean Wilsons	Oct. 20
Singapore Para Rubber Est	Oct. 5
Finals-	
Alba	Oct. 17
Audit & General	Oct. 4
Lyles (S)	Oct. 10
TIP Europe	Oct. 9
Tay Homes	Oct. 11
Welsh Industrial Inv Tst	Oct. 5

Monarch lifts Ewart stake to over 25%

By Andrew Bolger

Wexford Shopping Centre, part of the Monarch Properties Group, has lifted its stake in Ewart, the Belfast-based property developer, to just over 25 per cent.

Monarch increased its holding by the acquisition on Friday of Mr Ross Reed's 21.7 per cent stake at 152p per share, at a cost of £5.1m. Mr Reed held the shares as a result of the purchase by Ewart of West Kent Cold Storage Company last year.

In August, shares in Ewart jumped 22p to 142p on news of talks about a possible offer, which did not materialise. Yesterday they closed up 6p at 133p.

Monarch said it did not intend to raise its shareholding to the point where a full bid would be necessary.

Mr John McIlroy, chairman of Ewart, said: "I am delighted to welcome Monarch Properties as a shareholder in Ewart. I look forward to working closely with Monarch in our future expansion plans."

Last week, Ewart said it was negotiating to buy the four-store Switzer retail chain in the Irish Republic from House of Fraser.

COMPANY NEWS IN BRIEF

KEWILL SYSTEMS, part of the Kewill Group, is to acquire Accounting and Manufacturing Control Systems (AMCS) the Cheltenham based on net assets at completion. The net consideration will be satisfied by the issne of Kewill ordinary.

LOVELL (GF) has entered into an unconditional agreement for the purchase of certain assets of Belmor Confectionery. The consideration will be approximately £345,000 in cash, together with a further payment for stocks estimated by Belmor to be not substantially greater than £150,000.

LOW AND BONAR: John Govett, acting on behalf of clients, currently has an interest in 5.75m ordinary (7.741 per cent). None of the clients hold 5 per cent or more of the company's ordinary.

MERRYDOWN WINE has acquired the brands of "Garden of England" jam-maker, Dorothy Carter. Following the acquisition of the brands, production will be taken up by West Country Honey Farms in Wells, Somerset which was acquired by Merrydown in January.

MOLYNX HOLDINGS has formed a company in Norway called Hernis Scan Electronics which is acquiring the trading assets and order book of Hernis Electronics, a closed circuit televisions systems company based in Arendal, Norway. The stock, assets and product rights are being acquired for a cash consideration of around £150,000.

QUAYLE MUNRO has acquired Edmonton Financial Services, a mortgage and insurance broker operating in the south-east of England. The acquisition was satisfied entirely by an issue of QM shares.

REXMORE has reached agreement on the terms of a conditional sale of certain of the assets of Rosenthal, a division of the Rexmore Group to Optwise, a newly incorporated company controlled by Harry Ross, the present managing director of Rosenthal. Optwise initially will purchase from company the fixed assets of Rosenthal for a cash consideration of £520,000, with company retaining title to existing debtors. In addition, however, the asset sale agreement provides for Optwise to purchase for cash the entire existing stocks of Rosenthal, which at July 31 amounted to £9,4m, over a period of up to 18 months.

SAITANA BANK is listing its shares on the International Stock Exchange in London. Dealings were expected to commence on Tuesday October 3. Saitana is the 11th largest bank in Japan in terms of domestic deposits.

UNITED GUARANTEE is to dispose of Instock, Henry Osborn and Textino and their respective subsidiaries which together comprise the group's small tools division. Instock is to be purchased by UK Tools for £650,000 cash.

REX WILLIAMS has acquired the gaming machine operations formerly carried on by Funleisure. The acquisition has been effected by an agreement to acquire Teltoy, a gaming machine company controlled by Funleisure for £80,000 financed by an issne of 300,000 Rex Williams ordinary.

UK COMPANY NEWS

WCRS hits £38m helped by a sharp contribution from Carat

By Alice Rawsthorn

WCRS, the marketing group which has recently been shrouded by bid speculation, compensated for the poor performance of its traditional advertising interests with the growth of Carat, its media buying associate, to boost pre-tax profits from £18.25m to £38.1m in the 14 months to June 30.

In recent weeks WCRS's shares have fluctuated on takeover rumours. Mr Peter Scott, chairman, said yesterday that WCRS had "not received" a bid approach, nor was it "aware of any stake building exercises". The shares, which rose by 4p to 316p yesterday, have fallen in recent weeks as bid speculation has subsided.

Mr Scott confirmed that WCRS is in negotiation with "a major European communicstions group" over the future of its advertising interests. There hss been speculation thet Eurocom, the French advertising agency, will increase its holding in WCRS's advertising interests. Eurocom already holds 51 per cent of WCRS's advertising ectivities in continental Europe and 20 per cent outside continental Europe.

WCRS is in negotiations to increase its holding in Carat, the French media buying group, in which it already has a 50 per cent holding. The group has a put option to buy the remaining shares in Carat – at an estimated cost of £220m – which expires in three years.

Carat was the chief catalyst for the growth in operating profits to £39.44m (£18.22m) in the 14 months to June 30 compared with the previous 12 months. Turnover rose to £568.87m (£407.69m) and fully diluted earnings per share to 26.92p (21.36p). A final dividend of 3.35p was proposed making a total of 5p (3.9p).

The media and sponsorship businesses – chiefly Carat – boosted operating profits to £27.86m (£1.09m). The pnblic relations companies increased profits to £2.14m (£2.02m).

The sdvertising and direct marketing companies saw profits slip to £12.65m (£14.6m) chiefly because of the poor performance of FCO in the UK and the disruption caused by the merger of Della Femina and HBM Creamer in the US. Mr Scott said FCO's problems had been sorted out although trading conditions in the US were "still very difficult".

The proceeds from the sale of property and from shares in the Parkway Group contributed £2.9m (£3.6m). The cost of group restructuring, disposals and closures is expressed as an extraordinary item of £1.94m (£283,000).

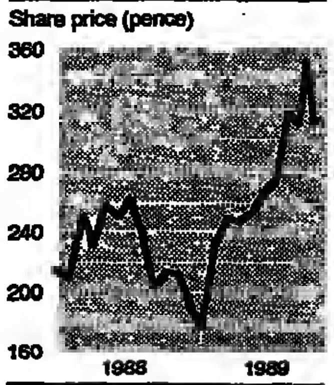
Group costs rose to a deficit of £4.56m (credit of £535,000) because of investment in central management resources to accommodate the group's European expansion and the restructuring of the WCRS Worldwide advertising network.

● COMMENT

WCRS is in a mess. The decision to expend effort and energy on Carat – rather than on its traditional advertising interests – makes sound strategic sense in that it turns the group from an also-ran among the global marketing giants into a formidable force in European media. So far it has also made financial sense too in thet Cerat's contribution helped to offset the downturn from advertising. The hitch is that WCRS needs to find £220m or so between now and the eutumn of 1992 to pay for the rest of Carat. Given that the group has dehts of £66m its only option is to raise the money from its advertising interests. Eurocom is said to be willing to buy. The question is whether it will be willing to pay the price. In the meantime the City is so uncertain about the prospects for the group that profit projections for this year veer from £33m to £41m. In a sense it is all academic. The only certainty is that the WCRS of next autumn will be very different from the WCRS of today.

WCRS Group

Share price (pence)



Symonds Engineering: J F Nash(Holdings) has acquired a further 99,608 ordinary shares in company lifting its total holding to 1,711,608 shares (17.11c per cent).

Paul Murphy

Brands of a feather: Boursin cheese – spiced with garlic and herbs – yesterday joined the large stable of Unilever food brands, which include Flora margarine. The Anglo-Dutch conglomerate has bought the French company which makes the Boursin and Boursault brands, for an unspecified sum. Unilever expects to market Boursin internationally.

SHARE STAKES

The following changes in share stakes have recently been announced :-

Acsis Group: D Sewell, a director, has sold 39,961 ordinary at 80p a share to N Balfour, a non-execntivew director. Mr Sewell's shareholding has been reduced to 3,000,204, ordinary (3.7 per cent).

Avesco: Friends Provident Life Office has increased its holding from 5.6 per cent to about 6.99 per cent representing a holding of 3,822,462 ordinary.

Bousted: HIP Holdings has acquired 150,000 ordinary (1.76 per cent) at £0.865p and £0.69p per share. The total holding is mnow 17,002,552 (26 per cent), registered in the name of HIP Holdings and Jack Chia MPH.

Godfrey Davis: Govett Strategic Investment Trust has disposed of 500,000 ordinary in company. Its total; holding is now 5.4m ordinary (6.4 per cent).

James Dickie: Specialist Holdings has acquired 25,000 ordinary bringing total holding to 322,500 (17.4 per cent).

Drayton Consolidated Trust: The National Coal Board Staff Superannuation Scheme and the Mineworkers Pension Scheme disposed of 100,000 ordinary (0.29 per cent). The total holding is now 1,695,217 sharesa (4.95 per cent).

Fulcrum Investment Trust: Mr N McNair Scott has bought 500,000 2.5p capital shares in company. This combined with the holding of his four children of 125,000 czapiatl shares each, makes the total holding of Mr N McNair Scott and his dependents to 1m (6.23 per cent).

Greyfriars Investment: Jupiter Tarbutt Merlin has acquired on behalf of discretionary clients, 2,053,250 shares in company (29.3 per cent). Schroder Investment Management has acquired 700,000 (10 per cent) and Target Trust Investment Management has also acquired 700,000 shares.

Halma : NM Rothschild Asset Management now has a nortifiable interest in 7,610,145 ordinary shares (7.7 per cent).

Northumbrian Fine Food :RHM Macgregor Adams, a director, has acquired 5,000 ordinary at £0.65 bringing total holding to 3,802,600 (40.28 per cent).

Radiant Metal Finish: Yorkshire Trust Group's subsidiary Selective Investments has disposed of 286,000 ordinaryu shares in Radiant. International and Irish (European) has acquired 286,000 ordinary shares (21.03 per cent) of Radiant.

TR Technology has received notice of purchases of 500,000 ordinary in the capital of company by : Oliver R Grace, Oliver R Grace Jnr, John S Grace, Lorraine G Grace, John H Pinto and James J Pinto. Aggregate interest 2,965,000 shares (8.2 per cent).

Strata Investments: W H Smith Pension Trust has acquired 82,000 ordinary bringing its total holding up to 1.217m (8 per cent).

COMPANY NEWS IN BRIEF

GRAYLING has acquired a 40 per cent stake in Dunwoodie Communications, a fast growing New York public relations agency. Grayling, through its parent company Lopex, will subscribe in cash US$500,000 (£371,402) for new equity in Dunwoodie.

LOWNDES QUEENSWAY announced thet of the 96,440,109 ordinary shares offered hy way of rights, 93,083,167 shares, representing approximately 96.5 per cent, have been taken up.

MURRAY VENTURES net asset value was 407.4p (363.3p) basic et the July 31 year end and 367.7p (330.8p) assuming all warrants oustanding are exercised. Total revenue was £2.88m (£2.57m) and after tax of £653,000 (£498,000), earnings per share were 8.25p (6.37p). The proposed final dividend is 4.7p (3.85p) to make 7.2p (6p).

NORTON OPAX: Offers by Bowater Industries for company have become unconditional in all respects following the admission of the new Bowater convertible preference shares to the official list.

PRESIDO OIL announced that 2,534,427 shares of its issued and outstanding class 'A' common stock have been sold in a secondary offering in London at £4.61 or $7.4227 per share.

SOUTHERN BUSINESS Group has agreed to acquire the outstanding 50 per cent of its associated company, Pioneer, for an initial consideration satisfied by the allotment to the vendors of 250,000 new ordinary shares in Southern Business. Deferred consideration will be payable related to the future income of Pioneer.

Hanson sells fish package to Fitch Lovell

By Nikki Tait

FITCH LOVELL, the food manufacturer and distributor, has acquired two fish businesses, Rossfish and Manx Seafoods, from Hanson, the UK-based conglomerate, for £7.5m in cash.

Rossfish, which became part of Hanson when it took over Imperial Group in 1986, is based in Grimsby, with its operations spread among more than 30 sites. It sources, processes and distributes fresh and frozen fish.

The business splits into three areas. A number of coastal units are involved in the buying and initial processing of the raw product and there is a chain of some 20 inland distribution depots.

The third element consists of half a dozen sourcing and processing operations in the north and west of Scotland and the Isle of Man. These specialise in scampi, scallops, salmon, lobster and prawns, with a significant proportion going to export markets.

Fitch said that the two companies would usefully complement its existing fish operations, centred on Binecrest, which is also based in Grimsby. The existing operations concentrate largely on sourcing and providing frozen fish to the retail market, with only a limited supply of fresh fish locally and to the catering trade.

The Rossfish distribution network should enable greater expansion on the catering and fresh fish side, said Fitch, while the shellfish operations would give scope for moving the business towards "more upmarket species".

In the year to end-September 1989, the two companies are estimated to have achieved sales of about £60m and pre-interest profits of £1.15m. This was before exceptional items, totalling some £600,000. Net assets are put at some £5.2m.

For the £7.5m purchase price, Fitch is acquiring the fixed assets, stock and goodwill, subject to trade creditors and arrangements for the collection of trade debtors.

Healthy growth from floorcoverings and Driza-Bone

James Halstead profits top £7m

By Alice Rawsthorn

JAMES HALSTEAD, the floorcoverings and leisure products group, announces a 19 per cent increase in pre-tax profits to £7.1m for the year ended June 30 1989.

The increase, from £5.98m, was achieved on sales ahead 12 per cent to £52.91m (£47m).

Halstead suffered from a pedestrian performance in its UK leisure products businesses, but benefited from healthy growth in floorcoverings and from Driza-Bone, its recently acquired Australian clothing company best known for its oiled "jackeroo" coats.

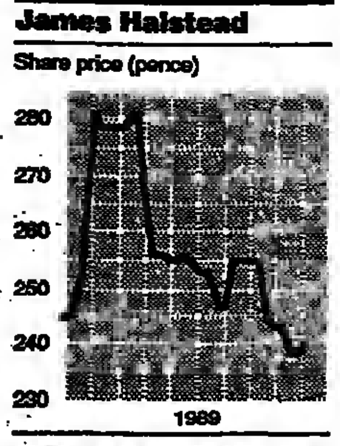
Earnings per share rose to 31.86p (27.68p). The final dividend is 5.75p making the total 9.5p (8.5p). The share price rose by 2p to 240p yesterday.

Since the spring many floorcoverings companies have suffered from the impact of increased interest rates on consumer spending.

Halstead experienced a slowdown in sales from its small carpet tile company, but managed an overall increase in sales and profits from floorcoverings.

Mr Stephen Knight, finance director, attributed this to the broad spread of the floorcoverings business and to the resilience of the contract market. He said so far, there was no sign of a slowdown in contract sales.

Belstaff, best known for its motorcycle jackets, made static profits because of the unusually dry weather. It is now diversifying into other products like golfwear. Conway, the camping products company, was also static; it plans to counter the maturity of the camping market by increasing its sales of industrial trailers.



Halstead is now expanding Driza-Bone in Europe with new product launches and an advertising campaign in the UK. In Australia it has already added Belstaff motorcycle products to the Driza-Bone production plant and is considering the introduction of golfwear.

Mr Knight said the group had performed patchily so far this year with the pedestrian performance from Belstaff and Conway, but continued growth from floorcoverings.

Higher exports behind Watts Blake rise

By Jane Fuller

WATTS, BLAKE, Bearne, the Devon-based ball and china clays producer, increased pre-tax profits by 14.5 per cent to £4.35m from £3.8m in the six months to June 30.

Sales advanced by 15.5 per cent to £24.54m (£21.24m). Exports at WBB, one of the world's largest suppliers of clay for sanitaryware, rose by 18 per cent to £19.4m, while home sales improved by 5.8 per cent to £5.14m.

Earnings per share were up by 15 per cent to 13.97p (12.18p). The interim dividend is 2.6p (2.3p).

Mr John Pike, managing director, said Devon Clays had benefited from strong growth in demand for ball clay from the European ceramics industry. The UK market had shown signs of slight recession, especially in tiles for housebuilding. But sales for refurbishment had held up well so far.

On the china clays side, the installation of a new dryer had saved labour and energy costs. Looking at demand from the paper industry, the growth of the past few years was levelling off in the face of competition from other raw materials.

The company is sticking to its specialisation in the field of clay minerals while expanding geographically. The growth of overseas interests meant that only 20 per cent of group turnover was in the UK, said Mr Pike, which would help to cushion the impact of any further squeeze on UK demand.

In West Germany, where the company has a subsidiary called Fuchs'sche Tongruben, sales had benefited from an upturn in the construction industry and from developments in Italy. Mr Pike said that two-thirds of the output of a new mill had been sold shortly after commissioning, in spite of increased competition in prepared bodies.

The German clays have proved particularly suitable for Italy's changing requirements, both for the rapid firing process and for colouring.

Mr Henry Cottrell, chairman, said that "no skeletons had been found in the cupboard" of the recent US acquisition, United Clays. After a loss of custom, sales had been restored to last year's level.

In the Far East, the main problem in China had been to get clays accepted and marketed; in Thailand, a joint venture was doing well thanks to a boom in ceramics.

Since English China Clays sold its 20.8 per cent stake in WBB at the turn of the year, the largest shareholder has been Ceramic Holdings, based in Switzerland, which is also one of WBB's customers.

Mr Cottrell said that Mr Gilbert Gargour, of the family investment company, might regard the shares as undervalued. But a bid was unlikely because a takeover would damage WBB's relationship with other big customers who relied on confidentiality.

European Leisure turns in £3.1m

By Andrew Bolger

EUROPEAN LEISURE, the rapidly growing nightclub and leisure group, yesterday reported pre-tax profits of £3.1m on turnover of £19.2m for the year to June 30.

Formed two years ago from the shell of Edenderry, an Irish shoe company, European Leisure now has 28 night clubs, 14 theme pubs and several restaurants. In June it paid £7m for the London Hippodrome and £5m for two nightclubs and restaurant in Paris.

Mr Michael Ward, a former London merchant banker, is chairman and chief executive of the company, which aims to improve the management and cash control of businesses in the fragmented but profitable leisure sector.

He said: "All the group's trading venues experienced a high level of consumer spending, although the exceptionally hot summer held back group turnover in the final period of the year."

Mr Ward said the company was still in the process of improving margins at its clubs, which are mainly in the Midlands, north of England and Scotland.

It intends to open a floating leisure venue in Newcastle, to complement the converted passenger ferry in Glasgow which contains two discotheques and several bars.

Mr Ward hopes that the current shake-up in the pub and brewing industries will yield opportunities for the group to extend its chain of theme pubs, which also have high margins.

One challenge facing the group will be to manage its overseas interests. As well as having bought the Studio 102 nightclub and Pau Brazil restaurant in Paris, it plans to convert the Metro station at Porte Maillot into a nightclub. Mr Ward said the reduction in tourism in Majorca had checked some of the progress of Tito's Palace nightclub in Palma.

Earnings rose to 5.8p (2.28p). A final dividend of 1p is recommended, making a total of 1.5p for the full year.

In the year to June 1988, European Leisure earned pre-tax profits of £770,000 before non-recurring items on turnover of £9.6m. As well as a string of acquisitions, it has since sold its original Edenderry shoe business to management for £20,000.

Ossory surges to £6.5m

PROFITS OF Ossory Estates, an investor, developer and dealer in commercial and residential property, surged from £3.77m to £6.53m pre-tax for the year to end-June. Turnover increased by 10 per cent to £22.8m.

Basic earnings worked through at 2.19p (1.5p) and a final dividend of 0.45p raises the total from 0.5p to 0.75p. An increase in revaluation of investment properties by a net £12m to £73m contributed to an increase in fully diluted net asset value per share from 21.01p to 27.17p.

The directors pointed out that if the increase in the value of properties for development and resale was added, fully diluted net asset value before tax would amount to 35.1p.

Group rental was currently in excess of £6m per annum and unused bank facilities total in excess of £60m.

Housing slowdown restricts Percy Bilton growth to 8%

THE SLOWING of the housing market limited Percy Bilton's growth in the first half of 1989. Taxable profits were £7.56m, against £7.02m, a rise of 8 per cent, on turnover 47 per cent higher at £21.63m, against £14.71m.

The property investment, building and plant hire group said that the private housing division would not repeat the excellent contribution it made to 1988's figures. However it was confident that overall it would continue to make progress.

During the period the construction side, which includes housing, saw trading profit improve by some £119,000 to £2.05m.

Property and investment activities profits were 10 per cent higher at £8.51m (£7.74m), which reflected a buoyant market coupled with satisfactory increases from rent reviews.

The pre-tax figure was struck after an increased interest charge of £2.12m (£1.84m).

Tax took £2.48m (£2.27m) for earnings per share of 11.7p (11p). The interim dividend is raised to 5.4p (5.15p).

Powell Duffryn £2.3m disposal

Powell Duffryn, the shipping, engineering and building materials group, is selling Hiller Investments, an Alabama-based manufacturer of fire detection and suppression systems and specialised flooring, for $3.8m (£2.34m).

The cash price being paid by US investors, including Hiller's president, represents a small discount to net assets.

Hiller lost just under £1m in the year to March 31, 1989, after experiencing difficulty with two ship-decking contracts.

Boots makes first disposal of a peripheral Ward White interest

By Maggie Urry

Boots, the retail and industrial chemist which took over Ward White in August, has made the first disposal of a peripheral business, Soderna Wedin, a Swedish footwear company.

It was sold to Kooperative Forbundet, a Stockholm-based group. The proceeds are not being disclosed though it is thought that Boots received a figure around net asset value.

Boots will take longer to sell the US parts of Ward White, notably Whitlock, an automotive parts retailer, and Charles Corporation, a footwear business.

First Boston is to handle the Whitlock sale and Merrill Lynch the Charles sale.

NEWS DIGEST

Brewmaker surges to £453,000

Marked by a maiden input from healthcare interests, a significant contribution from Tyro and a property sale, Brewmaker turned in a pre-tax profit of £453,000 for the six months ended July 31 1989.

That compared with £…000 last time and with £300,000 for the year ended January 31 1989. Earnings were 0.5p and dividends are resumed with a 0.1p interim. The property sale accounted for £155,000.

In 1988 the homebrew side was in decline and to support the core earnings at the time the group purchased Tyro, which packs and distributes cat litter.

BBN falls 21% but confident of upturn

Berry, Birch and Noble, the USM-quoted financial services and microelectronics group, reported a 21 per cent downturn in pre-tax profits to £203,426 in the six months to end-July.

The result came from turnover of £2.35m and compared with profits of £257,008 from turnover of £2.98m last time.

Berry last year reported a loss of £375,000, which resulted in the resignation of Mr Ron Springall as chairman. Since then action had been taken, including efforts to dispose of its electronic interests, which was now bearing fruit, said the company.

Administration expenses were reduced to £2.18m (£2.75m) and income from investments totalled £15,863 (nil). Net interest receivable rose to £49,780 (£28,747) and other income totalled £28,110

After tax of £84,800 (£96,378) earnings per 10p share came out at 2p (2.6p). There is no interim dividend. The company paid an interim of 1.5p last time but passed the final.

UK COMPANY NEWS

Bunzl in $12m US purchase

By John Ridding

BUNZL, the distribution and specialist manufacturing group, is buying Benco Building Products, a US distributor of branded building equipment, for $12.2m (£7.53m).

The acquisition is the second in a week following a radical restructuring of the group's activities to focus on four core business areas.

The strategy review was partly prompted by problems arising from the former policy of acquisition-led growth which at one time – in Bunzl's own words – saw a new company bought every two weeks.

But Mr James White, chairman, repeated yesterday that Bunzl would not buy companies at the previous rate. He said the timing of the two recent acquisitions was "pure coincidence" and he did not envisage another purchase this year.

At the time of the restructuring, Bunzl said it would be expanding its four chosen businesses – paper distribution, building materials distribution, cigarette filter production and plastics manufacture – particularly in the US.

Benco has net assets of $6m and has estimated profits of $2.1m for 1989.

Brierley lifts stake in Hogg

Sir Ron Brierley's IEP Securities has increased its stake in Hogg Robinson to 9.49 per cent. It also owns 13.17 per cent of Vickers, 15.13 per cent of Young Group, 15.41 per cent of Caffyns, 25.51 per cent of Union Discount, and (with subsidiaries) 67.01 per cent of Tozer Kemsley and Millbourn Holdings.

Consultancy will advise Anglo Utd on Falklands

By Andrew Bolger

ANGLO UNITED, the mining and fuel distribution group, has appointed Environmental Resources Limited (ERL), an independent consultancy company, to advise it on matters relating to the Falkland Islands Company.

Anglo took over the Falklands company, which controls 25 per cent of the islands' farms and their wool output, as part of its successful £478m acquisition of Coalite Group, a much larger fuel distributor.

When Anglo launched the bid in May, Mr David McErlain, its chief executive, wrote to the acting governor of the islands, offering to set up a committee of three independent advisers if it won.

Now Mr McErlain has written another open letter to the governor in which he says that Anglo had hoped that Lord Shackleton, author of two seminal reports on the Falklands in 1976 and 1982, would have been a member, and indeed chairman, of the advisers.

The letter states: "Unfortunately he did not feel able to undertake such a commitment. For this and other reasons we now feel that our original plan for a panel would not perhaps be the most appropriate in the circumstances."

Mr McErlain's letter says that ERL is already extremely familiar with the Falklands and its report last year into the islands' development strategy is highly regarded. A director of ERL, Mr Peter Prynn, will be in the Falklands in the coming months to seek the views of interested parties.

To ease its £200m debt burden, Anglo intends to press ahead with disposals of Coalite's peripheral businesses, but it always exempted the Falklands company from such plans because of its political sensitivity.

COMPANY NEWS IN BRIEF

AAH HOLDINGS has acquired George Alan (Chemists) for £550,000 which has been satisfied by the issue of 140,665 AAH ordinary shares. These shares have been placed, on behalf of the vendors by Hoare Govett Corporate Finance.

ARMOUR TRUST has entered into a conditional agreement for the buy-out of Kestronics, its 70 per cent owned subsidiary, by management and 3i. The consideration of £600,000 is payable by £450,000 cash on completion and the issue by Yearmill (the purchaser of Kestronics) of £150,000 guaranteed secured 12 per cent loan notes secured on the assets of Yearmill and Kestronics.

BICC has acquired Cruickshank and Partners, a Scottish-based company specialising in the engineering and construction of electrical substations and the manufacture of associated equipment. The value of net assets acquired is expected to be £1.8m. Consideration is to be satisfied by the issue of ordinary shares. BICC has allotted 556,075 shares (85 per cent of the anticipated purchase price) and has agreed to issue the remainder of which the vendors will become entitled upon certification of the net asset value.

BLENHEIM EXHIBITIONS GROUP: Acceptances under the open offer have been received in respect of 1,903,892 new ordinary (78.3 per cent) of the offer shares not placed. 1,129,418 new ordinary have been placed firm and the remaining offer shares have been placed with institutional investors. It was expected that the acquisition of the Batimat Group, Capric, the Sedep Group and Top Resa would be completed on October 5.

COURTAULDS has taken full ownership of the carbon fibre business Courtaulds Grafil, by purchasing the outstanding 20 per cent owned by Dexter Corporation. Both the Coventry and Sacramento manufacturing plants are at full capacity.

MARKS and SPENCER has acquired Franklin and Sons (Rickmansworth) for £2.6m, which will be satisfied by the issue of 1.34m M and S ordinary. The major asset of Franklin is property in Rickmansworth which will be used for a Marks and Spencer store development.

MERGER CLEARANCES: The following proposed acquisitions will not be referred to the MMC: by Bowater Industries of the 73.85 per cent of Norton Opax it does not already own: by Oxford Instruments Group of assets of Carlton Communications, namely Link Analytical Systems and The Nucleus Inc: by Bass of assets of Holiday Corporation, namely the Holiday Inns business in North America: by Grand Metropolitan of UB Restaurants: by Hawker Siddeley Group of assets of Avcorp, namely Standard Aero: by Compagnie Generale d'Electricite of certain electrical projects and industrial control businesses of General Electric Company: by E I Du Pont de Nemours and Fuji Photofilm of Crosfield Electronics: by Maxwell Communications of certain magazine, exhibition and company information businesses of Pergamon AGB.

Guinness Mahon's parent trims stake

By David Lascelles, Banking Editor

THE BANK of Yokohama, which recently acquired Guinness Mahon Holdings, the merchant banking group, is reducing its stake from 85 per cent to 65 per cent.

This is in accordance with an agreement reached with Guinness Mahon's board to enable the group's shares to continue to trade.

The Yokohama stake is being sold in two main blocks with 8 per cent having been placed with institutions. Agreement has also been reached with 18 other institutional investors to sell them 12 per cent over the next three weeks.

Bishopsgate Investment Trust, representing the interests of Mr Robert Maxwell, has reduced its holding by nearly 1 per cent to 9.1 per cent.

Toye profits marginally higher

Toye & Company, which is engaged in the manufacture and sale of civil and military regalia, medals, jewellery, watches, gold and silverware, reports a marginal increase from £316,000 to £322,000 in pre-tax profits for the six months to June 30 on turnover increased from £4.7m to £4.86m.

The directors said order books remained generally good. Provided the expected increase in sales in the second half was achieved, they anticipated further progress by year end.

After tax of £112,000 (£125,000) earnings came out at 8.9p (8.5p) per 25p share.

LMS board proposes change in the capital structure

By Jane Fuller

LONDON Merchant Securities, the investment holding company chaired by Lord Rayne, is proposing to increase its authorised share capital from £70m to £100m.

The capitalisation issue involves creating some 38.7m ordinary shares, to cover the conversion of existing deferred ordinary shares, and the issue of nearly 51.3m new deferred ordinary shares. Shareholders will get one of the new deferred shares which receive no dividend, for each of the ordinary shares that they hold.

As the conversion is due to take place at the annual meeting on October 24, holders of existing deferred shares will be entitled to participate in the issue scheduled for November 14.

Mr Robert Spiegel, finance director, said that the reason for the proposed issue was a massive increase in the valuation of investment property. Shareholders' funds have risen to £355m, compared with the issued capital of £...m.

After the conversion of the deferred shares, MS would have sufficient income to pay the same dividend on the ordinary shares as last time. The deferred shares being converted were issued 10 years ago. The new ones will mature in 2004.

New Japanese fund launched

By John Edwards

ROBERT FLEMING yesterday announced the proposed issue of shares and warrants in an offshore company that will invest the bulk of its assets in Japanese equity warrants.

The high gearing offered by warrants is intended to enable the company to achieve a better return than by investing in the underlying shares.

Listed on the Luxembourg stock exchange, the Japanese Warrant Fund aims to raise up to $150m from professional investors. It will be a closed-end fund with unlimited life.

Minimum subscription is $15,000. Units of five shares and one warrant, will be offered on or about October 1 at $50 each. The warrants will have an exercise price of $10 per share and a life of six years, and may be traded separately from the shares once the issue closes, probably on October 24.

Fleming is the lead manager of the issue, which is co-managed by Baring Securities, Nikko Securities and Salomon Brothers.

NEWS DIGEST

£2.8m buy for Fredk Cooper

FREDERICK COOPER, the Midlands mini-conglomerate which is building up its architectural hardware operations, has taken a step into distribution with the acquisition of the Leeds-based G Cartwright ironmongery group for £2.8m cash.

The move will increase Cooper's ability to compete with Newman Tonks, another Midlands-based architectural hardware group, which has retained a 5 per cent stake in Cooper since its overtures were rejected in August.

Mr Eddie Kirk, Cooper's chairman, said the acquisition of Cartwright would be the first stage in building a nationwide distribution chain for architectural ironmongery and security products for the commercial sector.

At present, Newman Tonks has a much stronger presence in the commercial sector than Cooper, which serves predominantly the residential sector. Tonks, too, has been buying distributors – notably DA Thomas and Laidlaw Thompson.

Record £2.1m for Armour Trust

Armour Trust, the industrial holding company with interests in confectionery and automotive products, reported a record profit before tax of £2.05m, up 36 per cent from £1.51m, for the 12 months ended April 30.

During the year the company acquired Airfresh UK and Cyclone Car Accessories and sold the brake hardware business. It also sold its 70 per cent interest in Kestronics providing a substantial profit on the original investment.

Turnover rose from £19.33m to £20.8m and earnings per share emerged at 5.8p (£5p). The dividend goes up from 0.909p to 1.2p with a proposed final of 0.98p (0.709p).

Triplevest NAV rises to £20.06

At August 31, net assets of Triplevest had risen to £20.06 per share. That compared with £17.44 six months earlier, and with £15.14 at August 31 1988.

Gross income in the half year to end August 1989 increased from £3.02m to £3.47m, with franked investment accounting for £2.89m (£2.53m).

Net revenue was up from £2.07m to £2.38m and the interim dividend is raised to 9.9p (8.552p).

Cautious outlook from Frank G Gates

A cautious outlook for results for 1989 was expressed by Frank G Gates, the east London-based Ford main dealer, as it reported a year-11 per cent increase in pre-tax profits for the six months to end-June.

The pre-tax figure of £1.25m came from turnover of £44.63m and compared with a restated £1.13m from £38.36m last time. Tax took £439,000 (£396,000) leaving earnings per share of 7.7p (7p).

The company said that profits had been affected by high interest charges on its own stock and that sales up to the end of August were only similar to last year.

While sales in August had fallen, a fleet orders were cancelled. These factors, said the company, were a pointer towards the likely end-year figures, which would undoubtedly be down on last year.

Acquisitions boost American Dists

First half pre-tax profits of American Distributors, which distributes tobacco, confectionery and groceries in the US, rose from £813,000 to £2.4m.

The half year included a full contribution from Golden Distributors, a Modern and Aroma, and a share of No-Service Tobacco and All Country Wholesalers.

With full contribution from recent acquisitions the USM-quoted group was expecting continuing expansion and growth in the second half, but full benefits were unlikely to be felt until the end of the year.

Turnover in the first half came to £115.5m (£35.49m). Earnings were 6p (5p) and there is an interim dividend of 1.125p.

UK COMPANY NEWS

Enlarged group will lead UK market for accountancy software
Headland pays £11m for Multisoft

By Alan Cane

HEADLAND, the the USM-quoted computing services group backed by recovery specialist Octagon Industries, has bought Multisoft, a UK-based accounting software company, for £11m.

This will be met by £1.1m in cash and the issue of 8.8m ordinary and 4.25m convertible preference shares. Some 3.8m of the ordinary have been conditionally placed hy Close Brothers.

Trading in Headland shares, which closed on Friday at 45p, was suspended yesterday pending distribution of a circular detailing the acquisition. Dealings are expected to recommence this morning.

Multisoft'e profit before tax for the 11 months to March 31 1989 was around £1m on sales of £5.64m. Mr Tony Nicholls, its chairman, said yesterday that while the company had always been profitable, it had to be part of a larger group to remain in contention in the fiercely competitive accounting systems marketplace. He will take charge of Headland's accounting systems division.

Headland also announced results for the six months to June 30: Turnover was up 53 per cent to £5.36m (£3.49m) while pre-profits more than doubled to £351,000 (£161,000). Earnings were 0.64p (0.58p).

Mr Geoffrey Bristow, founder of Octagon and executive chairman of Headland, said the acquisition gave the group overall leadership in the UK market for accountancy software.

The company last year acquired another accounting software house, Mega Corporate Systems, and the combination with Multisoft gave competitive products in two of the three most important markets for accounting software: Mega's "Miracle" software for Digital Equipment minicomputers, and Multisoft'e "Premier" software which can be used on any computer taking the Unix operating software system. Present leader in the Unix based accounting market is Tetra Business Systems, a privately owned company.

Headland has no offering yet in the important market for software which runs on International Business Machines' (IBM) equipment. That area is chiefly served by the US companies, Management Sciences America and McCormack & Dodge.

Worth some £320m last year, the UK accounting eyetems market is served by over 900 separate products and no company has more than a five per cent share. The market worldwide is probably worth $10bn and no participant has more than a two per cent share.

Mr Nic Birtles, appointed Headland chief executive four months ago, said the Multisoft acquisition was in line with the company's plans to develop accounting software based on new technology which could used by companies of all sizes.

Diversity behind 30% increase at Turriff

IN THIS time of high interest rates diversity is proving to be the strength of Turriff Corporation, the construction, property, plant hire and information and marketing services group.

For the first half of 1989, it lifted turnover 48 per cent, from £46.63m to £69.1m, and pre-tax profit by 30 per cent, from £1.35m to £1.76m. As *usual, the major part of profits* are expected in the second half.

Mr Astley Whittall, chairman, said construction did better with improved margins. The housing side suffered but compensation came from other developments, mainly joint ventures.

The plant hire businesses offering larger items contin-

John Wyatt, chief executive of Turriff

ued their success, but those with smaller stocks were hit by the housing decline and costs had to be cut back substantially.

Information and marketing was adversely affected by the downturn in consumer spending. Plant and equipment maintenance, mainly in Australia, had a very good half.

Earnings in the half year were 14.1p (10.7p) and the *interim dividend* is raised to 4.25p, with a scrip option (3.5p).

Laporte in £13m expansion

By Andrew Hill

LAPORTE, the speciality chemicals company, has spent about £12.7m expanding its international building and timber businesses.

It has bought the Rentokil Group's US timber preserving business for some £5.8m cash and Woodtech, an independent US supplier of wood treatment plants, for £800,000.

Laporte, which said it hoped to announce further add-on acquisitions in the next month, has also purchased ICI's Australian speciality building products subsidiary and two other related businesses for £6.3m.

Rentokil, best known for its pest control operations, said the proceeds of its sale would be used to build up its environmental service business, particularly the US tropical plant rental interests it bought last year.

It is to concentrate on its larger timber preserving interests in the UK, Europe and Asia.

Laporte said yesterday that the acquisition would increase its timber treatment interests in North America by about 15-20 per cent. The purchase also extends the geographical spread of operations into the north west of the US.

The group is to pay £4.4m for the Rentokil subsidiaries, which make timber treatment chemicals under the SupaTimber name, and a further £1.4m to cover stocks and debtors. Rentokil will retain its freehold site at Atlanta, Georgia and the book value of the assets being sold is £2.4m.

The US timber preserving business lost £100,000 after group charges in 1988.

Laporte added that the ICI operations were highly complementary to its existing building chemicals interests in Australia.

Modest rise to £4.92m for Lamont

Reflecting difficulties arising from high interest rates and the value of sterling, Lamont Holdings only increased pre-tax profit by 3.4 per cent, from £4.76m to £4.92m, in the first half of 1989.

Bnt "being cash rich and confident" the directors are lifting the interim dividend 18 per cent to 3.25p (2.75p). Earnings were 14.2p (14.17p).

Lamont is a textile group with interests in computing, product engineering, property investment and management. Turnover declined to £43.15m (£47.86m) mainly through £2.4m lost in subsidiaries sold and £2.6m reduction in carpet exports.

Sir Desmond Lorimer, chairman, said cash resources made up the shortfall – from £4.92m to £4.47m – in trading profit, and that situation was expected to continne. Interest received came to £454,000, against £152,000 paid last time.

Overall, the chairman looked for an improving situation in the run-up to the end of the year.

COMPANY NEWS IN BRIEF

BET, headed by Sir Timothy Bevan, has bought Hylift Plant and Crane Hire of Newbury for £1.66m in shares, loan stock and cash.

BOC GROUP has concluded the sale of its air separation plant (and its associated business) in Pasadena, Texas to Tri-Gas, of Irving, Texas for approximately $40.6m cash (£25.13m). The deal includes the sale of four BOC Houston retail stores, six recently acquired Amerigas Houston retail stores and five Houston area distributor gas supply contracts.

BUEHRMANN-TETTERODE NV has applied for all its issued and fully paid ordinary share capital, comprising 31,636,512 ordinary shares of Dfl 5 each, to be listed on the London Stock Exchange.

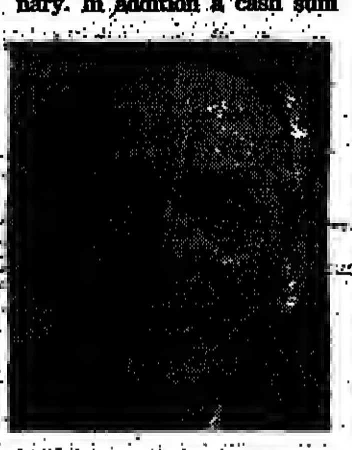
CABRA ESTATES has purchased a large high yielding mixed commercial portfolio of properties with a total value of £29m. The vendor is the Summit Group and the netcash consideration was £10m.

CAUSEWAY EQUIPMENT Finance, a leasing company, has been formed by a number of City institutions. Initiated by the London-based Causeway Capital, Causeway Equipment has a capital base of £8m. Some 60 per cent of the equity has been subscribed by the following investment institutions: Foreign & Colonial Ventures, Gartmore Venture Capital, Eagle Star, CIN Venture Managers, Causeway Development Capital and Grosvenor Venture Managers. The remaining 40 per cent is owned by the founders and Capital Equipment's senior executive management.

EGERTON TRUST has sold its 50 per cent interest in the health care company, PPP Beaumont, to Private Patients Plan for £5m cash. The payment represents a small discount to the company's share of the nav of PPP.

EROSTIN GROUP has concluded two major commercial property sales totalling more than £30m and invested over £5m in substantial new development sites in the west Midlands.

GKN has acquired Linton Packaging for £2.03m. Consideration will be satisfied by the issue of 455,762 new GKN ordinary. In addition a cash sum



Sir Timothy Bevan, chairman of BET

equal to the increase in net assets of Linton during the *period from September 1 to* September 26 1989, is payable to the vendors.

HILL & SMITH Holdings has acquired Tatham Miller, a steel stockholding company based in Cheadle, for an initial consideration of £1.96m in shares which will substantially be placed on behalf of the vendors. The balance, amounting to £1m, will be satisfied by a further issue of shares, and is dependent on profits.

IVERNIA WEST showed a loss for the year of I£470,656 (no comparative figures available due to admission to Third Market). Exploration expenditure written off was I£553,786. Loss per share was 2.63p. Chairman said company would continue to pursue a conservative policy in relation to exploration expenditure, which was anticipated would not be as substantial in the future.

LOPEX subsidiary, Alliance International, has acquired a 70 per cent stake in Norwegian Agency Copyright. Billings during the last financial year amounted to £2.5m.

PENTLAND: the offer for Accord Publications has been declared wholly unconditional and remains open. By September 26 the offer had been accepted by holders of 5.59m shares (83.59 per cent).

SEAFIELD is buying Charterhall Properties. An incorrect name was published in last Friday's edition.

STANLEY LEISURE has conditionally agreed to acquire Mecca Racing which operates 58 licenced betting offices in the Irish Republic. Consideration is to be satisfied by assumption of existing net liabilities to a maximum £5m.

UNISTRUT EUROPE (metal framing and building fixing systems): In half year ended June 30 1989 turnover was £8.83m (£4.94m) and pre-tax profit £1.19m (£472,000). Fully diluted earnings 7.36p (3.74p) and interim dividend 1.75p. All divisions showed substantial gains.

VIDEO MAGIC Leisure Group has acquired Video City of Sheffield for a maximum of £400,000 cash. The initial consideration is £350,000 with a further payment of £50,000 subject to turnover in the first 12 months after the acquisition.

Drayton Asia allocations

By Clare Pearson

Applications have been received for 125.98m ordinary shares in Drayton Asia Trust, the investment trust being launched by MIM, the fund management group, by way of an offer for subscription to raise £100m.

This means there has been demand for more than twice the number of the shares, being issued at 100p, which are available after deducting intended applications for a minimum of 75m shares, which were communicated to the directors.

The basis of allocation of shares, which carry warrants to subscribe for one further ordinary share on a one-for-five basis, is as follows:

- Applications for 0-90,000 shares: in full
- 95,000-100,000: 90,000
- 105,000-130,000: 100,000
- 135,000 and above: 75 per cent of application.

The trust aims to give a broad exposure to Asian markets and the fund managers say up to 25 per cent of its assets may be investment in warrants.

Ennex signs farm-out agreement

Ennex International, which is quoted on the USM in London and Dnblin, has signed a farm-out agreement covering 30 of its base metal licences in Ireland with the Cominco mining group of Canada.

Cominco can earn a 35 per cent interest by spending £2.5m by June 1992, and 55 per cent by spending another $3m before June 1994.

Recently, Ennex also completed with Bow Valley Industries of Canada a US$3m three-year joint venture agreement over most of its precious metals licences in the US.

"These initiatives, involving exploration expenditure of up to $7.5m by third parties, will maintain Ennex's mineral activities in Ireland and the US at a meaningful level while significantly reducing its financial outgoings," it said.

J Bibby sale

J Bibby and Sons has sold its paper mill at Disley, Cheshire to Kruger for £3.7m, satisfied by £2.5m cash and an unsecured loan note of £200,000.

Geevor to increase Costa Rica gold stake

By Kenneth Gooding, Mining Correspondent

GEEVOR, the UK mining company, is to increase substantially its holding in a gold project in Costa Rica in a deal worth about £1.5m. The arrangement involves Geevor managing the project and includes an option for the company ultimately to take control.

Geevor will issue 1.75m ordinary shares to Nor-Quest Resources, listed on the Vancouver stock exchange, which will give the Canadian company 8 per cent of Geevor's enlarged capital. In return, Geevor's shareholding in the Nor-Quest subsidiary which owns the Costa Rica project will be increased from 4.76 per cent to 33.33 per cent.

There is an option for Geevor to lift its stake to 52.38 per cent by the issue of a further 750,000 shares. This would give Nor-Quest over 10 per cent of Geevor.

Geevor has been manager of Nor-Quest for two years and closed down most of the Canadian company's operations.

Mr Eric Grayson, Geevor's chairman, said Nor-Quest's San Martin project in Costa Rica was "excellent", with an estimated 277,800 troy ounces of gold. A feasibility study and financing arrangements still had to be completed and would take at least another year. Mr Grayson estimated the project would cost US$6m to $8m to develop.

PUBLIC WORKS LOAN BOARD RATES

Effective September 27

Years	Quota loans repaid by EPY†	at†	at maturity§	Non-quota loans B* repaid by EPY†	at†	at maturity§
Up to 1	–	–	13⅜	–	–	13⅞
Over 1 up to 2	12⅞	12¾	12	13⅜	13¼	12½
Over 2 up to 3	12¼	12⅛	11⅞	12¾	12⅝	12
Over 3 up to 4	11⅞	11¾	11⅝	12⅜	12¼	11⅞
Over 4 up to 5	11⅝	11½	11½	12⅛	12	11⅞
Over 5 up to 6	11½	11⅜	11½	12	11⅞	11⅞
Over 6 up to 7	11⅜	11¼	11⅛	11⅞	11¾	11⅝
Over 7 up to 8	11¼	11⅛	10⅞	11¾	11⅝	11⅜
Over 8 up to 9	11⅛	11	10¾	11⅝	11½	11¼
Over 9 up to 10	11	10⅞	10½	11½	11⅜	11
Over 10 up to 15	10¾	10⅝	10¼	11¼	11⅛	10¾
Over 15 up to 25	10½	10⅜	10⅛	11	10⅞	10⅝
Over 25	9⅞	9⅞	9⅞	10⅜	10⅜	10⅜

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ‡Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

LME criticised on aluminium price

By Kenneth Gooding, Mining Correspondent

THE London Metal Exchange had done a poor job in setting aluminium prices since trading in the metal started in 1978, it was claimed yesterday.

There had been extreme price volatility, resulting in significant real costs for both consumers and producers, suggested Mr Theodore Tschopp, executive vice president of Alusuisse.

Over the past few years, the LME price of aluminium had moved from under $1,000 a tonne to more than $3,000, a range of more than 300 per cent, while fluctuations in consumption had been less than 10 per cent, Mr Tschopp said.

"True, the world as a whole is volatile and all prices fluctuate, but the fluctuations facing aluminium have been very violent and the damage has been very real. Wild metal prices have damaged us much more severely than the wild share prices of October 1987 damaged the world economy."

Mr Tschopp was speaking at a seminar in London organised by the LME to create a dialogue between traders, producers and consumers.

He said changes in the structure of the aluminium industry had contributed to the price volatility. Integrated companies, with their own downstream operations, controlled about 90 per cent of primary aluminium smelting capacity in the early 1970s but now controlled under 65 per cent.

The independent smelters who had increased their market share at the expense of the integrated groups relied on traders to place some of their production. Traders (including the Japanese trading houses) may be handling at least 30 per cent of the metal marketed. "Traders generally take a short-term view of markets," Mr Tschopp said.

He added that most aluminium from producers was still sold at negotiated and relatively stable prices, adjusted at monthly or quarterly intervals, "but the price negotiated at any moment is heavily influenced by the current LME quotation."

Price volatility had made it very difficult for producers to plan short-term production. "And we are now seeing a reluctance on the part of producers to invest in new capacity in the longer-term, given the high degree of uncertainty about future prices."

Mr Tschopp said he could think of no present alternative to the LME aluminium price. However, the transaction prices published regularly by US producers should be encouraged. "The test for such prices is their response in a falling market and we shall see soon the results. As yet it is too early to say whether open and flexible producer prices of this kind are the way of the future."

The LME should also encourage larger volumes of trading by producers and consumers for hedging purposes, to help eliminate manipulation of the market, he added.

Mr Peter Salathiel, a vice president of Inco, said by contrast that his company — which vigorously opposed the introduction of a nickel contract by the LME ten years ago — now believed "that a vibrant physical LME is the only foundation on which a truly representative terminal market can be based, as well as being the industry's best defence against concerns in respect of the possibility of manipulation."

Mr Salathiel said that today most of the world's nickel was traded either directly or indirectly on the basis of the LME price. However, the nickel contract could be improved by changing procedures at the LME warehouses "which in our experience tend to be interpreted somewhat differently by each warehouse and are a source of constant friction between warehouse and user."

Mr Patrick Cussen, export director of Mantos Blancos, Chile, urged the LME to switch its copper contract quotation from sterling to US dollars. He pointed out that 63 per cent of copper mine production was in south or north America.

Mr Cussen also suggested that the LME follow the example set by the New York Commodity Exchange (Comex) and give a daily report on its stocks. The present weekly report on Mondays encouraged rumour mongering. "Why should the copper market be subject to such uncertainty in this current sophisticated and computerised world?"

Mr Raj Bagri, an LME Board member, told Mr Cussen that the arguments for and against changing the copper quotation to US dollars were "reasonably well balanced." The matter would be considered again in the middle of 1990 and he urged users of the LME to make their views known to traders who could pass them on to the executive.

On daily stock reporting, Mr David King, the LME's chief executive designate, said that, unlike Comex, the LME was trading in six metals and had warehouses scattered around the world and in various time zones. This made it difficult to decide the cut-off point. The present weekend cut-off solved this problem.

Mr Christopher Green, chairman of the LME, said the LME board was also concerned about the possible impact of daily stock reports on markets when inventories were low.

Mr Philip Crowson, chief economist of the RTZ Corporation, said the LME, which started tin trading again in June after a break since 1985, had been unfairly blamed by some in the industry for this year's steep rise in the price of metal.

He suggested the collapse of the International Tin Council's statistical machinery made it impossible to tell whether the LME price was fairly reflecting the industry's fundamental supply and demand balances.

Mr Crowson said since the LME quotation was re-introduced, large tin consumers had possibly been living off earlier purchases, as they appeared not to have entered the market for significant tonnages.

Eventually their stocks would run down, but they would not necessarily buy from the LME.

"The long interregnum without an LME quotation may have decisively altered their previous purchasing habits. In any case, the tin industry has not had an unregulated market for over 30 years, since the first tin agreement was concluded. In due course, transparent price mechanisms should drive out the less transparent," he added.

Mr Tony White, executive general manager, metals processing, MIM Holdings, said his company had fully supported the introduction of the new Special High Grade zinc contract to the LME.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	-19725	to 83,675
Copper	-6,425	to 104,275
Lead	-1,500	to 34,925
Nickel	+492	to 4,938
Zinc	-575	to 66,950
Tin	-85	to 4,155

Copper stocks 'still very low'

By Kenneth Gooding, Mining Correspondent

WORLD copper stocks remain critically low and prices could exceed recent records in the short term, although they are likely to fall next year, according to Rudolf Wolff, the commodities broker.

Faster growth in refined copper production compared with consumption during 1990 should improve supply-demand balance from an estimated 250,000 tonnes deficit this year to a 120,000 tonnes deficit in 1990. This assumes net imports from Communist countries remain at about 100,000 tonnes a year.

"Worldwide inventories (of copper) remain very low at four to seven weeks equivalent consumption," Wolff points out. "With another deficit forecast, this ratio is likely to remain well below the critical level of six to seven weeks consumption for 1990."

Given these expectations of a narrowing supply deficit in 1990, prices are likely to come under pressure during the year. Wolff predicts a peak of $1.60 a lb for three-months metal on the London Metal Exchange towards the end of this year, followed by a fall to a possible low in 1990 of about $1.10 a lb. The average price for 1990 is likely to be $1.25 a lb, the same as this year.

In a special report, Base Metals in 1990, to coincide with London's metals week, Wolff also suggests aluminium prices will bottom sometime next year at about $1,400 a tonne, having come down from the peak $3,200 in 1988.

Cocoa and coffee prices fall sharply in London

By David Blackwell

BOTH COCOA and coffee prices fell sharply in London yesterday, as the Ivory Coast followed up its cut in the producer price for cocoa last week with a cut in the producer price for robusta coffee.

The decline in cocoa prices came amid record volume of more than 26,000 lots on the London Futures and Options Exchange (Fox). Unconfirmed reports suggested that Sucres et Denrees, the French trading house, had bought 200,000 tonnes of Ivory Coast cocoa.

The March cocoa contract closed at £706 a tonne, a fall of £16 on the day, after dipping below £700 earlier. Analysts do not believe it will hold above £700 for long.

Ivory Coast cocoa is expected to be more freely available to the market now that the official producer price has been reduced to 200 CFA francs (38.5p) a kilogramme for the 1989/90 season. At the beginning of last season it was 400 CFA francs.

The market disregarded a report from the Ivory Coast that the crop for the 1989/90 season was likely to be below the record 1988/89 harvest.

Yesterday the Ivory Coast reduced the producer price for its robusta coffee from 200 CFA francs to 100 CFA francs a kilogramme.

The news undermined sentiment in the market, which is already becoming pessimistic about the outcome of the International Coffee Organisation talks now in their second week in London.

Compulsory limits on cereals predicted

By Bridget Bloom, Agriculture Correspondent

A WORLD in which cereal production is compulsorily limited to contain an inexorable rise in yields made possible through biotechnology is envisaged in a new report published this week on the future of European agriculture.

The report, from the Economist Intelligence Unit, believes that large areas of today's farmland will go out of production, particularly after 1995. That is when the revolution in biotechnology will begin to involve not only growth-boosting hormones for livestock but also genetically engineered pesticide-resistant and disease-resistant plants.

The revolution will affect productive capacity, however, not necessarily production levels. It will reinforce the need for radical change in agricultural support, with more emphasis on direct income aids for smaller farmers and the fostering of other forms of economic activity in rural areas, the EIU says.

The report, compiled for the EIU by Edmund Neville-Rolfe and Conrad Caspari of the Brussels-based Bureau Européen de Recherches, says that even without biotechnology, annual increases in yields for most crops will be between 1 and 2 per cent a year.

Biotechnology could double or treble this. While not all farmers would use the techniques, the most efficient would, increasing farm sizes and reducing further the viability of smaller farms.

The report believes that these developments will be kept within affordable bounds only if compulsory limits on production are extended. "There is no indication as yet that the various (voluntary) measures being taken to restrain production are doing more than marginally reduce the rate of growth of output."

In addition to the continuation of milk production quotas, the EIU envisages either compulsory set-aside or some form of area quota for EC cereals, which will otherwise reach 185m tonnes by 1995 (compared to 160m tonnes this year). It believes a two-tier price system could also help smaller farmers — each farmer would be paid a guaranteed price for a limited output, the remainder being sold at current world prices.

The squeeze on EC farm-gate prices for most commodities from the 1988 budget 'stabilisers,' is likely to remain, but the report notes "these so called reforms" hava beeu undermined by "green" rates for agricultural produce.

The Future of European Agriculture: trade, technology and the environment. EIU, 40 Duke St, London W1, 84pp, £140

Sugar beet turns sweet after scare over aphids

UK growers should enjoy average yields or better

THIS year's UK sugar beet crop will probably produce yields that are average or a little above. However, it could have been a disaster.

Back in January entomologists were forecasting one of the worst ever infestations of aphids — insects which carry and transmit a disease of sugar beet called virus yellows. At that time, the number of aphids which had survived the mild winter suggested that at least 50 per cent of all plants would be infected with consequent serious depletion of yield.

In the event the early warning, the widespread use of long-lasting granular insecticides at planting time in the Spring, and *judicious summer* sprays of highly selective insecticides — which killed the aphids but did no harm to aphid-eating predatory insects such as ladybirds — limited infection to about 10 per cent.

A four-month drought from the beginning of May could *also have caused serious loss* of yield. Fortunately, however, most growers planted their *crops early enough to benefit* from the April rains. Germination was assured, and roots developed well during the early summer so that on all but the lightest soils crops survived to benefit from the occasional storm or shower.

The hot dry summer also led to worse than usual attacks of yield-sapping powdery mildew across the sugar beet growing areas. August application of sulphur-based sprays controlled the problem, however, and maintained crop potential.

When the first five of British Sugar's 12 factories opened last week therefore (the remaining seven will begin slicing roots this week), the size and quality of the roots delivered were mostly far better than might have been expected. Only two areas are disappointing — those around the factories at Ipswich and Newark, where aphid attacks were most severe and sandy soils predominate.

Test diggings last week by British Sugar across the two sugar beet growing areas of East Anglia and the West Midlands revealed that mean root weights were marginally up on *last year and on the five-year* average; that sugar content at 17.5 per cent was about half way between last year's 18.6 per cent and the five-year average of 16.7 per cent; and that sugar per root was well up at 122 gr against 116 gr last year and 111 gr over the last five years.

Those statistics can and certainly will vary over the course of the harvesting campaign — for instance much-needed rain, if it falls, will promote further root growth and dilute the concentration of sugar. However, the overall amount of sugar will not decline and may even increase given favourable weather. It will merely be contained in a larger root.

FARMER'S VIEWPOINT

By David Richardson

Meanwhile the continuing dry weather in some localities — including this farm where we have had only about one third of an inch of rain this month while some areas have had two inches or more — is still causing problems.

The land is so dry that we have not yet begun sugar beet harvesting for fear of breaking the roots and leaving half of them in the dry ground — in *spite of* the fact that the factory which contracts to process our beet has been opened for a week.

I suppose we shall be forced to try to begin the operation very soon to *avoid* having too many roots left on the farm in January, when the factory closes. However, we really need a couple of inches of steady rain first to make the soil workable, and the forecast for this week is a continuation of mainly dry weather.

Practical difficulties apart, however, sugar beet remains a key crop in the economy of those farms close enough to a factory to grow it.

According to the latest Farm Management Pocketbook, just published by Professor John Nix of Wye College, and the bible by which many farmers decide policy, the average gross margin (GM) achievable from growing sugar beet next year should be £325 per acre.

Compared with winter wheat — by which all other crops are judged — at an average expectancy of GM £221 per acre, and other break crops such as dry peas, GM £135 per acre, or oil seed rape, GM £154 per acre, sugar beet must clearly be a priority in spite of its extra fixed costs.

The key reason of course is that production across the EC is *controlled by quotas*, which cost the Community almost nothing to administer but provide stability for the sugar industry and security of supply for consumers. The system also accommodates the importation of 1.3m tonnes of cane sugar from African Caribbean and Pacific countries and a guarantee that those growers are paid the same amount as those in the EC.

Community sugar quotas are divided into three categories identified by the letters A, B and C. The A quota is the amount of production that it is estimated domestic EC consumers will need. This comprises most of each sugar beet farmer's entitlement to grow and attracts the highest guaranteed price — it equates to about £330 per tonne of processed sugar. This basic EC price has been virtually frozen for the last six years.

Quota classified as B is a negotiated percentage of the A quota (in the UK's case it is equivalent to 10 per cent of A quota, but in other Community countries it is much higher) for which the EC guaranteed price is about 35 per cent less than that for A quota.

This B quota sugar is intended to fill strategic reserve stocks, for what is estimated to be normal export demand. A so-called superelimination levy is charged on all A and B quota beet to finance such exports and ensure that the regime is totally self-financing.

Any production above the A and B quota is known as C sugar, which is disposed of on world markets for what it will fetch at the industry's cost and risk.

Translated to farm level, this means that for roots containing 16 per cent of sugar, UK beet growers receive a basic price of about £27.50 per tonne for A quota, £17.25 per tonne for B quota and whatever the world price dictates — sometimes as low as £6.60 per tonne — for *C quota*.

In practice the A and B prices are amalgamated and an allowance for the pulp by-product used for animal feed is made to provide an ex-farm value of about £28 per tonne for roots supplied to factories.(Yielde vary from 14 tonnes to 20 tonnes an acre in a good year.)

It will be readily appreciated that the value of C quota is unattractive, and that most growers try to restrict their tonnage to A and B quota adjusting their planted acreage accordingly.

This year British Sugar is forecasting that UK production will fulfill the combined A and B quota of 1.14 m tonnes and possibly reach 1.2m tonnes to leave only a *marginal amount* of C sugar for sale on world markets. However, this year the world price is dramatically higher than last — as a result of falling stocks — and the world price could conceivably be on a par with the guaranteed price for B quota when C sugar comes to be sold.

I suspect I am not the only sugar beet grower now regretting that last Spring I failed to recognise a speculative opportunity. If I had realised the market trend I might have planted a few more sugar beet for harvesting this autumn.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices rose sharply in morning trading on the LME yesterday following an unexpected decline in LME warehouse stocks last week — stocks fell by 6,425 tonnes after increasing by 33,000 tonnes over the previous five weeks. The news sparked short-covering and fresh buying, but by the afternoon profit-taking emerged as Comex failed to build on initial gains. The premium for cash metal, which reached £25 a tonne earlier, ended the day at £10.50, compared with £6 on Friday. Tin prices went into reverse on a lack of follow-through from Friday, when merchant and consumer covering and the appearance of small scale producer sales lifted the market. Nickel prices edged ahead in quiet trading but a further increase in warehouse stocks by 492 tonnes to 4,938 tonnes tended to reinforce chart *resistance around $10,800 a tonne.*

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.05-6.15q	+.125
Brent Blend	$10.50-8.60w	+0.08
W.T.I. (1 pm est)	$20.05-0.10q	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-217	
Gas Oil	$178-179	+2½
Heavy Fuel Oil	$96-97	
Naphtha	$158-160	+0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.5	+0.5
Silver (per troy oz)♣	522c	
Platinum (per troy oz)	$491.85	-3.15
Palladium (per troy oz)	$140.65	+0.40
Aluminium (free market)	$1780	+25
Copper (US Producer)	129¾-138c	-5½
Lead (US Producer)	40.5c	
Nickel (free market)	500c	+5
Tin (Kuala Lumpur market)	22.60r	+0.60
Tin (New York)	392.5c	-6.0
Zinc (US Prime Western)	80.25c	
Cattle (live weight)†	116.04p	
Sheep (dead weight)†	144.98p	
Pigs (live weight)†	105.05p	
London daily sugar (raw)	$357y	+4
London daily sugar (white)	$416y	+4
Tate and Lyle export price	£336.5	+5.0
Barley (English feed)	£108.5x	
Maize (US No. 3 yellow)	£123w	
Wheat (US Dark Northern)	£127.5w	
Rubber (spot)♥	58.0p	
Rubber (Nov)♥	58.0p	
Rubber (Dec)♥	59.75p	
Rubber (KL RSS No 1 Nov)	234.5m	
Coconut oil (Philippines)§	$510v	
Palm Oil (Malaysian)§	$327.5w	
Copra (Philippines)§	$315	
Soyabeans (US)	£164q	+3
Cotton "A" index	81.5c	+1.3
Wooltops (64s Super)	597p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. q-Nov. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA — London FOX £/tonne

	Close	Previous	High/Low	
Dec	706	740	725	699
Mar	706	722	715	698
May	710	733	723	707
Jul	727	748	738	725
Sep	743	766	751	740
Dec	769	790	779	765
Mar	791		800	785

Turnover: 18077 (12703) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 2 837.35 (857.57) :10 day average for Oct 3 886.62 (894.19)

COFFEE — London FOX £/tonne

	Close	Previous	High/Low	
Nov	740	761	765	733
Jan	745	766	769	740
Mar	762	785	784	759
May	780	805	797	777
Jul	801	817	815	796
Sep	820	836	836	818

Turnover: 2962 (2995) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 29: Comp. daily 67.86 (68.79). 15 day average 68.54 (68.86)

SUGAR — London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	314.00	321.00	318.80	
Mar	310.20	315.80	315.80	310.00
May	305.00	310.00	309.00	304.40
Aug	298.40	303.60	302.00	298.40
Oct	287.60	291.00	291.80	287.80
Dec	286.00		285.00	
White	**Close**	**Previous**	**High/Low**	
Dec	394.50	398.50	397.50	393.00
Mar	392.50	396.00	397.00	391.00
May	391.50	395.00	390.00	
Aug	391.50	394.00		
Oct	376.50	382.00		
Dec	372.00	379.00	375.00	374.00
Mar	371.50		373.00	

Turnover: Raw 2361 (4751)lots of 50 tonnes. White 1058 (1100).
Paris- White (FFr per tonne): Dec 2513, Mar 2520, May 2513, Aug 2520, Oct 2420, Dec 2365.

CRUDE OIL — IPE $/barrel

	Close	Previous	High/Low	
Nov	18.37	18.18	18.45	18.30
Dec	18.14	17.98	18.17	18.07
Jan	17.80	17.85	17.97	17.90
Feb	17.89		17.89	
Mar	17.81		17.81	
Apr	17.75		17.75	
IPE Index	18.22	17.89		

Turnover: 6850 (9670)

GAS OIL — IPE $/tonne

	Close	Previous	High/Low	
Oct	176.50	174.00	177.50	175.00
Nov	173.50	172.00	174.75	173.00
Dec	171.75	170.25	173.00	171.50
Jan	170.00	168.75	171.25	169.70
Feb	166.75	165.00	168.00	166.70
Mar	162.25	160.25	163.50	162.00

Turnover 6945 (9444)lots of 100 tonnes

TEA
There were 18,595 packages on offer this week including 4,400 packages in the offshore section, reports the Tea Brokers' Association. New season's Assams were strongly supported with quality teas realising improved levels and others irregular but showing little change. Africans met strong demand with prices dearer by 5p to 10p. Ceylons were well supported and prices advanced by upto 15p. In the offshore auction competition was well sustained with brighter liquoring Kenyas 5p to 15p dearer and Central Africans 10p dearer.
Quotations: quality - 210p (200p), medium - 159p (150p), low medium - 140p (135p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 21,750 tonne
Cash	1765-70	1763-5	1785	1790-2		
3 months	1743-8	1751-2	1775/1745	1763-5	1752-4	33,280 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,400 tonne
Cash	1788-90	1750-1	1816/1788	1815-6		
3 months	1778-9	1744-5	1802/1777	1800-1	1779-80	70,986 lots
Lead (£ per tonne)						Ring turnover 6,700 tonne
Cash	459.5-60.5	460-1	466/465.5	465-5.5		
3 months	457-7.5	460-0.5	462/457	461-1.5	457-8	13,133 lots
Nickel ($ per tonne)						Ring turnover 900 tonne
Cash	10850-950	10800-900	10850/10825	10825-50		
3 months	10625-50	10550-600	10650/10650	10550-75	10600-25	6,070 lots
Tin ($ per tonne)						Ring turnover 660 tonne
Cash	8500-20	8575-600	8530	8500-20		
3 months	8500-10	8575-600	8520/8480	8490-510	8500-20	5,679 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 16,700 tonne
Cash	1690-5	1695-705	1712/1690	1710-2		
3 months	1676-9	1695-7	1715/1677	1695-7	1680-5	14,277 lots
Zinc ($ per tonne)						Ring turnover 7,250 tonne
Cash	1625-35	1640-50		1630-40		
3 months	1610-20	1635-40		1610-20	1605-15	4,866 lots

LME Closing £/$ rate:
SPOT: 1.6175 . 3 months: 1.5965 . 6 months: 1.5737 . 9 months: 1.5561

POTATOES — BFE £/tonne

	Close	Previous	High/Low	
Nov	139.0	143.0	139.5	138.0
Apr	210.7	214.5	216.0	210.0
May	238.0	245.0	238.0	

Turnover 459 (505) lots of 40 tonnes.

SOYABEAN MEAL — BFE £/tonne

	Close	Previous	High/Low
Dec	140.00	139.50	140.00
Feb	140.50	140.00	140.50
Apr	136.50	139.50	

Turnover 2117 (20)lots of 20 tonnes.

FREIGHT FUTURES — BFE $10/index point

	Close	Previous	High/Low	
Oct	1517	1510	1517	1501
Nov	1585		1593	1585
Jan	1612	1599	1619	1594
Apr	1644	1634	1647	1630
Jul	1419	1410	1415	
BFI	1424	1420		

Turnover 787 (597)

GRAINS — BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	107.80	107.45	107.80	107.50
Jan	112.00	111.56	112.00	111.75
Mar	115.35	114.80	115.35	114.80
May	118.40	117.85	118.20	118.00
Jun	119.80	118.40	119.80	119.55
Barley	**Close**	**Previous**	**High/Low**	
Nov	104.60	103.75	104.60	104.00
Jan	108.75	107.75	108.75	108.00
Mar	111.95	111.00	111.75	111.25
May	113.80	112.85	113.70	113.00

Turnover: Wheat 291 (267), Barley 206 (130).
Turnover lots of 100 tonnes.

PIGS — BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	131.0	130.0	130.5
Nov	133.0	132.0	
Feb	121.0	121.0	120.5
Apr	122.5	122.0	
Jun	122.0	121.5	
Aug	116.0	116.0	115.0

Turnover 30 (32) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	366¼-366¾	226¼-226¾
Opening	366½-367	226½-227
Morning fix	366.45	226.736
Afternoon fix	366.5	226.095
Day's high	366½-367	
Day's low	365¾-366¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	374-379	231-234
Britannia	374-379	231-234
US Eagle	374-379	231-234
Angel	374-379	231-234
Krugerrand	365-368	225½-227½
New Sov.	86-87	53-53¾
Old Sov.	86-87	53-53¾
Noble Plat	497.05-505.65	307.45-312.30

Silver fix	p/fine oz	US cts equiv
Spot	323.60	522.75
3 months	335.50	534.65
6 months	347.30	546.65
12 months	370.35	570.45

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1650	124	113	4	24
1750	49	56	26	64
1850	12	23	90	129
Copper (Grade A)	**Calls**		**Puts**	
2730	173	178	41	115
2850	112	131	78	165
2950	67	93	132	225
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	55	61	17	37
750	25	56	37	62
800	17	36	79	92
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	70	78	14	23
700	40	49	34	44
750	20	29	64	74
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1750	86			19
1800	39	49	2	36
1850	6	25	20	

US MARKETS

IN THE METALS, gold, silver and platinum all featured slow trading as prices swayed around unchanged levels, reports Drexel Burnham Lambert. Copper posted strong gains as lower LME and COMEX stocks proved supportive. December copper was up 3.85 closing at 126.75. In the softs, cocoa prices sank due to heavy trade and arbitrage selling. December cocoa lost 32c. Sugar futures eased in slow trading while coffee remained uneventful. Most of the grains closed higher led by the soy complex and corn markets. Good export business to Russia was noted. Wheat prices rallied early but profit taking pared gains later. Cotton also rose sharply from the Russian tender news. In the livestocks,live cattle was lower as a large number of certificates were posted for the October futures. Hogs advanced as the demand for products is better than expected. The energy complex was mixed with crude oil prices hovering around the 20 dollar level. Scattered liquidation helped weaken the gasoline market while heating oil was featureless.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	367.0	367.2	367.5	366.0
Nov	370.1	369.9	0	0
Dec	372.1	372.0	372.6	370.7
Feb	376.2	376.2	376.3	375.0
Apr	380.5	380.5	381.0	381.0
Jun	384.6	384.8	0	0
Aug	388.8	389.1	0	0
Oct	393.2	393.5	0	0
Dec	397.8	397.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	492.5	493.8	495.0	491.0
Nov	494.5	495.5	0	0
Jan	500.5	499.5	501.0	497.0
Apr	504.1	502.7	504.8	500.5
Jul	507.0	505.7	507.5	507.0
Oct	511.1	509.2	510.5	508.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	522.0	522.6	0	0
Nov	526.4	527.1	0	0
Dec	530.3	531.0	532.0	527.5
Jan	533.3	534.8	0	0
Mar	542.3	543.2	543.5	540.0
May	550.3	551.2	551.0	550.0
Jul	558.8	559.6	559.5	559.0
Sep	566.9	567.9	0	0
Dec	578.8	579.8	0	0
Jan	582.8	583.8	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 29	Sept 28	mnth ago	yr ago
1869.1	1872.4	1895.9	1865.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.42	128.92	129.20	132.30
Futures	150.92	130.46	129.77	135.64

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	130.25	126.65	130.30	130.30
Nov	128.25	124.40	0	0
Dec	126.70	122.90	127.00	124.10

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	20.19	20.13	20.27	20.03
Dec	19.98	19.87	20.00	19.83
Jan	19.77	19.68	19.80	19.64
Feb	19.60	19.52	19.64	19.50
Mar	19.45	19.37	19.48	19.34
Apr	19.31	19.25	19.36	19.26
Jun	19.12	19.03	19.10	19.05
Jul	19.12	18.93	18.98	18.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	6025	5996	6035	5965
Dec	6050	6015	6055	5985
Jan	5975	5939	5975	5920
Feb	5825	5794	5825	5780
Mar	5565	5544	5580	5540
May	5220	5154	5225	5200
Jun	5075	5049	5075	5075
Jul	5070	5009	5070	5035

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1008	1040	1010	995
Mar	1018	1053	1028	1012
May	1036	1064	1044	1027
Jul	1055	1089	1069	1050
Dec	1106	1151	1117	1099
Mar	1130	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	80.53	80.60	81.40	80.00
Mar	82.62	82.63	83.60	82.15
May	85.03	85.10	85.50	84.50
Jul	87.30	87.30	87.40	86.95
Sep	89.33	89.58	89.15	89.15
Dec	92.55	93.00	92.60	92.20
Mar	94.00	0	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.16	13.40	0	0
Mar	13.92	14.16	14.18	13.91
May	13.68	13.94	13.91	0
Jul	13.47	13.72	13.71	13.45
Mar	12.75	0	12.95	12.95

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	75.87	73.95	76.00	73.95
Dec	75.13	73.68	75.39	73.90
Mar	75.65	74.65	76.25	74.90
May	76.30	75.10	77.00	75.70
Jul	76.35	75.30	77.00	76.00
Oct	70.10	69.70	70.30	70.03
Dec	67.05	66.60	67.30	66.90

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	127.00	135.55	137.85	134.80
Jan	132.50	131.70	133.25	131.50
Mar	132.10	131.05	132.20	130.50
May	131.70	101.00	131.90	131.00
Jul	131.60	131.00	131.20	131.20
Sep	131.60	131.00	0	0
Nov	131.60	131.00	0	0
Mar	131.60	0	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	577/0	568/0	580/4	575/0
Jan	589/2	580/4	600/0	588/4
Mar	602/0	593/2	612/0	598/0
May	612/2	602/4	624/0	609/4
Jul	617/4	608/0	627/4	616/0
Aug	612/0	604/0	624/0	612/0
Sep	598/0	592/4	610/0	598/0
Nov	595/6	591/2	603/0	595/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.03	18.96	19.43	19.02
Dec	19.50	19.44	19.89	19.46
Jan	19.75	19.68	20.15	19.71
Mar	20.10	20.08	20.45	20.18
May	20.45	20.32	20.80	20.45
Jul	20.77	20.71	21.05	20.70
Aug	20.80	20.70	20.82	20.80
Sep	20.80	20.65	20.89	20.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	191.3	186.6	193.8	186.5
Dec	185.6	181.5	188.8	183.5
Jan	184.3	180.7	187.0	184.0
Mar	183.1	180.4	187.0	183.0
May	182.5	179.5	185.3	182.5
Jul	182.0	178.5	184.0	181.0
Aug	181.0	177.5	183.0	181.0
Sep	179.0	176.2	181.5	179.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	241/4	233/0	243/0	236/0
Mar	249/0	240/6	250/6	244/4
May	255/0	247/0	257/0	250/0
Jul	257/6	249/6	259/6	253/0
Sep	246/4	240/4	250/0	245/0
Dec	244/6	238/2	248/0	239/6
Mar	251/6	246/4	255/0	246/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	407/2	407/2	413/0	405/0
Mar	404/2	402/2	408/0	402/2
May	383/2	379/0	385/4	380/0
Jul	353/4	348/6	355/0	350/0
Sep	357/6	353/4	358/4	356/0
Dec	368/0	362/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.15	71.92	71.95	71.07
Dec	73.42	74.32	74.47	73.37
Feb	74.02	74.25	74.67	73.90
Apr	74.50	74.70	75.07	74.45
Jun	71.92	72.00	72.35	71.17
Aug	70.25	70.30	70.65	70.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	44.17	43.80	44.25	43.60
Dec	44.70	44.37	44.95	44.02
Feb	45.52	44.87	45.90	44.65
Apr	43.40	42.77	43.75	42.65
Jun	47.72	47.40	47.80	47.25
Jul	47.96	47.60	48.05	47.65
Aug	46.75	46.65	46.90	46.40
Oct	43.60	43.60	43.75	43.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.55	48.22	49.35	48.10
Mar	48.37	48.12	49.20	48.15
May	49.05	48.90	49.85	48.70
Jul	48.70	48.47	49.80	48.70
Aug	47.06	47.02	48.05	47.00

LONDON STOCK EXCHANGE

Steady pound trims losses in equities

INTEREST RATE worries continued to dominate the UK stock market yesterday, effectively keeping the big investment institutions on the sidelines on the first trading session of the final quarter of the year.

Equities opened sharply lower after a flurry of base rate warnings from the weekend UK press. With the West German markets virtually discounting a rise in their own interest rates ahead of Thursday's meeting of the Bundesbank, UK shares quickly extended their early falls. At worst, the market was 27 Footsie points down, but this loss was more than halved later with the help of a calm performance by sterling in the foreign exchange markets.

Account Dealing Dates			
First Dealings:	Sep 18	Oct 2	Oct 16
Option Declarations:	Sep 28	Oct 12	Oct 26
Last Dealings:	Sep 29	Oct 13	Oct 27
Account Day:	Oct 9	Oct 23	Nov 6

*New time dealings may take place from 8.00 am two business days earlier.

Against the bearish background of interest rate concerns, other factors tended to play a minor role. The admission that a new funding would be required for the Eurotunnel project, including in due course a rights issue of around £400m, was bad news for the UK market at any time. However, this news was counterbalanced by the widely-predicted £1.1bn bid for Pearl Assurance, the UK life assurance group, from Australian Mutual Provident (AMP); the market believes that Pearl may command a higher price before disappearing from the lists.

Some equity strategists think that even another full point rise in UK base rates may already be "in the market". In any event, the stock market knows full well that with the UK political party conference season opened yesterday by the Labour Party in Brighton, decisions on base rates will not be taken lightly. Yesterday's new intervention against the dollar by central banks prompted comments in the equity market that "the dollar may save the pound."

Once it was clear that there was no immediate pressure for higher rates from the sterling exchange market yesterday, share prices began to rally. The FT-SE Index recovered to a close of 2,289.2, a net loss on the day of 10.2 points.

The main consolation for the market was that equity turnover was thin, indicating that little serious selling pressure had been suffered. The chief feature of the day was a single trade of 70m Gamma stocks just before the close. Details of these Gamma trades will not be available until publication this morning of the Daily Official List by the Stock Exchange, but price trends last night indicated stock sales.

Seaq volume was down from Friday's 496.2m to 403.8m, even after including the abnormally large Gamma total. Losses in equity prices last week discouraged professional investors from taking exposed positions in stocks for the new account.

Pearl above bid price

Strong suggestions in the market last Friday that Australian Mutual Provident (AMP) was about to launch a bid of *around 600p a share for Pearl* Group proved very much on the ball when the Australian mutual life assurer pitched its offer at 606p a share, valuing the UK life group at some £1.1bn.

The Pearl share price was immediately hoisted well above the bid price, touching 639p before closing a net 82 higher at 634p, indicating the market's belief that a higher offer, counter offer or "white knight" move would be triggered. Turnover expanded to 6.2m shares.

Takeover speculation in Pearl has been widespread since the 13 per cent stake built up by FAI of Australia was sold to AMP at 418p a share. The Pearl board yesterday rejected the AMP offer as "unacceptable, totally inadequate."

Many insurance specialists agreed. Mr John Russell, at Prudential-Bache, said institutions should be looking at "a minimum takeout price of around 650p a share," and Mr Youssef Ziai at UBS Phillips & Drew concurred.

One of the Continental companies considered a possible counter-bidder – Navigation Mixte – was thought to have excluded itself with the news of a joint venture with West Germany's Allianz group. The chances of a Continental bidder were described by one specialist as "pretty slim".

The prospect of a UK insurance group or bank coming to the rescue of Pearl was also excluded. "Do they really need to pay a premium price for Pearl when they already have widespread and top quality distribution systems themselves?"

Eurotunnel down

Uncertainty over the financing of cost overruns on the Channel tunnel project pulled *Eurotunnel back sharply.*

Many analysts felt that the company's forecasts for increased costs were at the worst end of City expectations. Eurotunnel has acknowledged that it will make a rights issue either next year or in 1991, and this is expected to raise £350m to £400m. Analysts were more pessimistic. "More than £400m," said one; "for safety's sake you should aim for £500m," said Mr Ian Wild of BZW.

Eurotunnel fell sharply on the news, bottoming at 600p before recovering to close 45 loser on the day at 650p. The warrants slipped 3 to 55½p. Taken together, they are still worth *double* the 350p issue price in December 1987. Dealers expect the shares to remain depressed in the short term because of remaining uncertainties.

Mr Dan White at County NatWest WoodMac said it was unsettling that Eurotunnel had not reached agreement with *the contractors or the banks* over final costs or the opening date for services.

All eyes are now on next Monday's interim figures and expected upgrading of traffic forecasts.

Cadbury pleases

Cadbury Schweppes confirmed speculation that it was set to move further into the European market when it announced it had agreed to buy a number of Spanish and Portugese soft drink brands for £45m in cash.

Analysts viewed the move positively and the shares held steady in the face of a weak market. Mr Carl Short of Kitcat & Aitken said the deal would take Cadbury's stake in the Portugese soft drink market to 9 per cent from 3 per cent, while in Spain it would rise to 10 per cent from 8 per cent.

Over the longer-term, the deal would be good for Cadbury's, he said, particularly as the soft drinks market restructured itself in the run-up to 1992. However, in the short-term the share price continued to be affected by bid speculation, as dealers hoped that a takeover would materialise. Cadbury closed unchanged at 389p.

The bid for Pearl sparked off *frenzied activity* in the rest of the insurances. In lifes, bid speculation focused on such stocks as **Britannic**, finally up 27 at 520p, and **London & Manchester**, a long-time bid favourite, which jumped 20 to 317p. **Refuge**, where French group Athena recently increased its holding to over 8.2 per cent, raced up 26 to 694p.

Legal & General was the preferred stock of many analysts; "most of the others could well be regarded as illiquid, while L&G is top quality and now much *more a bid target," said* one. L&G shares closed 4 ahead at 363p.

Composite insurances outperformed the market as speculators took the view that bid activity in lifes might spill into this area. **Commercial Union** and to a lesser extent **Royals** were said to be the *prime* takeover candiates in composites.

The former were pushed up to 454p before dipping to 445p and then coming again to close a shade up at 451p. Royals surged up to 464p, and then dropped to 446p before closing little changed on tha session at 454p.

Insurance brokers *similarly* ontperformed the market. **Sedgwick and Willis Faber** both put on 4 to 266p and 244p respectively.

The clearing banks were hit by the weakness of equities. **Barclays** suffered more than most and fell back to 514p before closing a net 11 off at 516p.

The merchant banks were one of the market's best performing areas. **Morgan Grenfell** raced up 21 to 357p, after touching 361p, on a story that the long-awaited bid for the bank may be about to materialise. Buyers from the Continent included the Swiss and West Germans, giving credence to recent talk that a bid from Deutsche Bank, holder of a near 5 per cent stake, could be imminent. Added spice to the takeover stories came from evidence that there has been Japanese demand for Morgan stock. Dealers added that Morgan Grenfell was advising Australian Mutual in the bid for Pearl which could result in big success bonuses.

Kleinwort Benson were helped by further buying in of its own stock by the bank with the shares closing 11 up at 366p. SG Warburg rose 9 to 420p.

Participants in Dorset's Wytch Farm oil field were hit by a press report suggesting a *downgrading of the field's* reserves but later rallied as specialists questioned the numbers quoted. One analyst said he expected an upgrading of the field before the end of the year. BP, operator of Wytch Farm, were slightly unsettled by the story early in the session but later moved up strongly helped by American buying, as well as good demand for the traded options. At the close BP were 3½ firmer at 302p on 4.6m.

Kelt were given a mauling *after the press story and* dropped to 38½p before staging a strong rally and closing a net 4 off at 43p. Goal fell to 85p but picked up to end the day only 3 cheaper at 88p while Premier settled 3¼ easier at 108½p after 107p.

SmithKline Beecham attracted buyers after recent weakness. "The shares are looking cheap on a yield basis," said one dealer. He said index funds were taking advantage of the relative cheapness *to top-up holdings.*

With US leveraged buyout specialist KKR waiting in the wings, no one wanted to be short of BTR. The shares closed up 7 at 443p. Earlier in the summer, KKR applied to US authorities for permission to stake a stake of up to 15 per cent in BTR, but dealers have yet to report heavy buying.

Jaguar shares were the only bright light in an otherwise lacklustre motors sector. The shares closed at 573p, up 3 on the day, fuelled by new speculation about possible suitors to rival Ford, which has said it wants to acquire a stake in the company.

Mr Pete Deighton, engineering analyst at County Natwest WoodMac said: "Most people believe there is likely to be a fight for Jaguar between Ford and General Motors, but I believe the battle is likely to be between Ford and a European car manufacturer and I think that is most likely to be Peugeot."

GKN shares fell 4 to 432p on the news that the company had acquired Linton Packaging, which markets food packaging materials and equipment.

One of last week's star performers, **Lucas Industries**, suffered a reverse, falling 7 to close 673p.

Among engineers, **British Aerospace** closed down 14 at 633p. Laing & Cruickshank upgraded the company's 1989 profits estimate to £304m, from £289m, and for 1990, from £310m to £315m. Mr Nick Cunningham, at Laing & Cruickshank, said: "The upgrading is due to an exceptional gain *resulting from the sale of Istel,* that will be in the second half figures." BAe inherited the stake when it bought Rover Group.

The company is due to start a series of presentations in the US and in Europe. Mr Cunningham said these could be important because overseas investors *have so far* only taken up 14 per cent of the 30 per cent share holding they are allowed to own.

Both **BAe and Rolls-Royce**, down 3 at 180p, may have been affected by the prospects of engineering sector strikes called by trade unions to back their claim for a 35 hour week.

Caradon, the building products group, jumped 14 to 488p as the market awaited news of a bid or merger involving the group. MB Group is the strong favourite to announce a tie-up with Caradon; 600p a share for Caradon is said to be the probable bid price.

Stores were generally depressed by interest rate worries. "Only 71 shopping days 'til a disappointing Christmas," explained one dealer.

Early reports that a single party had amassed a near-5 per cent stake in Sears was said to have been behind a firm price. Some dealers, however, blamed *interest ahead of interims* tomorrow and a stock shortage that followed two moderate buying orders. The shares closed a penny up at 117p on solid volume of 2.8m shares.

USM-quoted housewares group Betterware jumped 20 to 190p after a newspaper tip.

Boots recovered from last months disappointing news on its heart drug Manoplax. The sale of a Swedish footwear company, acquired as part of Ward White, which Boots bought in August, also helped sentiment. The shares rose 3 to 283p in good volume of 2.7m shares.

European Leisure's near 10-fold profit full-year profits leap to £3.05m supported the shares. They closed a penny better at 99½p.

Ferranti shares are scheduled to be re-listed this morning; traders expect an opening price in the region of 40p to 50p – "nearer 40p than 50p" said one – compared with the 73½p at which the stock was changing hands prior to news of the probable £185m write-off caused by the International Signal problems.

WCRS posted 14 month profits at £38.1m compared with a previous 12 month figure of 18.2m. Although the shares advanced 4 to 316p, Mr Brian Sturgess, analyst at BZW, said that the figure included contributions from the sale of property and shares. When these were stripped out, he said, the figure was no better than expected. He trimmed his forecast for next year from £42m to £38m.

Mr Sturgess continues to rate WCRS a hold because there is a possibility of disposals of advertising interests and of the purchase of the 50 per cent it does not own of Carat, a profitable French business.

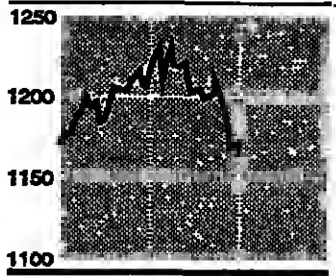
Tootal were initially firm on publication of interim profits barely ahead. But the shares soon succumbed to downward pressure, trickling back to close a net 1½ weaker at 127p.

A dull day among brewery stocks was enlivened by active trade in **Guinness**. One dealer reported a single sell order of 500,000 shares, although Seaq's total volume of 1m suggested either that this was unlikely or that the order had not been completed. Guinness closed 5 easier on 567p, ahead of interims on Thursday.

US buying helped **Saatchi and Saatchi** firm 2½ to 295p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover

FINANCIAL TIMES STOCK INDICES

	Oct 2	Sep 29	Sep 28	Sep 27	Sep 26	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.51	84.57	84.81	84.76	85.09	87.96	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.20	95.68	95.96	96.03	96.06	96.71	99.69 (15/3)	95.20 (2/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1876.9	1885.7	1876.2	1907.4	1913.5	1455.8	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	211.9	212.0	215.2	212.9	211.8	171.1	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2289.2	2299.3	2291.7	2331.2	2336.1	1802.6	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.35	4.31	4.34	4.27	4.25	4.74				
Earning Yld %(full)	10.42	10.34	10.40	10.23	10.19	11.96				
P/E Ratio(Net)(☆)	11.57	11.65	11.59	11.78	11.82	10.12				
SEAQ Bargains(5pm)	22,633	27,740	23,332	22,804	25,284	21,197				
Equity Turnover(£m)†	-	896.67	758.18	932.60	890.18	1259.20				
Equity Bargains†	-	27,672	22,601	22,708	24,152	28,320				
Shares Traded (ml)†	-	408.4	323.7	340.9	367.4	452.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.46

Ordinary Share Index, Hourly changes — Day's High 1876.9 — Day's Low 1860.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1874.1	1860.9	1863.3	1869.1	1869.0	1869.1	1869.2	1874.6

FT-SE, Hourly changes — Day's High 2299.3 — Day's Low 2271.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2287.6	2272.3	2274.6	2280.9	2280.6	2280.6	2279.8	2298.8

S.E. ACTIVITY

Indices	Sep 29	Sep 28
Gilt Edged Bargains	90.8	81.0
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5–Day average		
Gilt Edged Bargains	87.5	82.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,800	184	-1½	Courtaulds	840	372	-1	LASMO	406	585	-1	Saatchi & Saatchi	564	295	+2½
Abbey National	4,100	149	-½	Dalgety	803	421	+1	Laporte	1,800	261	-5	Sainsbury	428	272	-3
Allied-Lyons	1,200	512	-2	Dixons	618	149	-2	Lucas	221	673	-7	Scot & Newcastle	557	351	-5
Amstrad	5,300	67	-3	Eng. China Clays	349	459	-5	MB Group	703	206	-4	Sears	2,800	117	+1
Argyll Group	1,900	224		Enterprise Oil	249	586	-3	MEPC	794	551	-3	Sedgwick	233	264	+4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (33).
BRITISH FUNDS (1) AMERICANS (3) BANKS (1) BUILDINGS (4) CHEMICALS (1) ELECTRICALS (3) ENGINEERING (1) INDUSTRIALS (4) Computer People, Consit. Eastern Prod., Tamaris, INSURANCE (7) PAPERS (1) PROPERTY (1) TRUSTS (8) MINES (3).
NEW LOWS (181).
BRITISH FUNDS (2) AMERICANS (1) CANADIANS (2) BUILDINGS (8) CHEMICALS (8) STORES (11) ELECTRICALS (11) ENGINEERING (4) FOODS (1) HOTELS (2) INDUSTRIALS (18) Arley, Assoc. Eng., Bestwood, Bus. Tech. Grp., Cannon St. Invs., Colorol, Delaney, Eleco, Henson Wrrnts., Hyman, NMC, Norcros, Quotient, Sale Tilney, Stag Furniture, Tubular Exhbs., Utd. Guarantee, Whittington, LEISURE (4) MOTORS (4) NEWSPAPERS (1) PAPERS (2) PROPERTY (9) SHOES (1) TEXTILES (5) TRANSPORT (1) TRUSTS (4) OILS (3) OVERSEAS TRADERS (1) MINES (1) THIRD MARKET (1).

APPOINTMENTS

Changes at Kleinwort Benson

■ KLEINWORT BENSON has made the following appointments. Mr Tim Barker has become vice-chairman of Kleinwort Benson Ltd, the merchant banking arm of the Kleinwort Benson Group.

Mr David Clementi will rejoin the corporate finance division and will become, with Mr Barker and Mr Simon Robertson, one of three joint heads of the corporate finance division, primarily with responsibility for business development.

Mr Charles Hue Williams and Mr Nicholas Redmayne will become the joint heads of the equity securities division.

Mr Redmayne will join Mr Williams on the board of Kleinwort Benson Group. They will be assisted by Mr Brennan Hiorns, director of research in Kleinwort Benson Securities, who will become a director of Kleinwort Benson Ltd.

■ ROVO CHAIRS (UK) has appointed Mr Graham Goulding its sales director. He was formerly with President, A.C.Barratt and R.& M.

■ Mr Patrick Gillam, a managing director of British Petroleum, has succeeded Sir Graham Wilkins as chairman of ICC UNITED KINGDOM, the British affiliate of the World Business Organisation.

Mr Maurice Powner *(above)* has become group treasurer at EVERED. He joins from Tomkins where he was also group treasurer.

■ TR PROPERTY INVESTMENT TRUST has appointed Mr Patrick Bushnell to the boards of Trust Union Properties and Trust Union Finance.

■ Mr Vic Sarin has become managing director of TARKETT. He joins from Tefal UK, where he was sales director.

■ Mr James E. Everitt, chief executive of the medical and scientific equipment division of Vickers, has joined FORWARD TECHNOLOGY INDUSTRIES as a non-executive director.

■ Mr Reg Nock will be joining DELOITTE HASKINS & SELLS' tax division as national tax technical partner on October 9. He is author of "The Law of Stamp Duties".

■ Mr J.P. Turner has been appointed group treasurer at BURMAH, succeeding Mr J.M. Long who has joined the Inchcape Group. Mr Turner was manager, corporate affairs.

■ PRICE WATERHOUSE has appointed Mr Peter J. Clokey as a partner in the corporate finance department. He was a director of Lloyds Merchant Bank.

■ FIDELITY INTERNATIONAL has made Mr Martin Wooller director-fixed income. He joins from Scimitar Asset Management, the investment arm of Standard Chartered Bank, where he headed the fixed income group.

■ ATLANTIC COMPUTERS has appointed Ms Alice Smith as director of legal affairs. She joins from Data Logic where she was company secretary.

■ Mr Trevor Hemmings has been appointed to the board of SCOTTISH AND NEWCASTLE BREWERIES. He will assume responsibility for the leisure and property operations of the group. Mr Hemmings is chairman of Pontin's which became a wholly-owned subsidiary of Scottish & Newcastle in July.

■ At JEFFERSON SMURFIT Mr Thomas A. Reynolds Jr and Mr Anthony P.J. Smurfit have been made directors. Mr Reynolds is chairman of US-based law firm Winston & Strawn and Mr Smurfit is chief executive of Swains Packaging, a Jefferson Smurfit subsidiary.

■ Mr Roy G. Heape, deputy head of Midland Personal Financial Services, has been appointed personal financial serives director for MIDLAND UK BANKING. He will be responsible for the continuing development of financial services through Midland Personal Financial Services which includes Midland Life and Midland Unit Trusts.

■ Mr Geoffrey Watson, managing director, is to become deputy chairman of BASF COATINGS & INK on January 1 with particular responsibility for the company's relationship with large international customers, in close co-operation with other European operations of BASF Lacke & Farben AG, its parent company. Mr Arvid Lillesund, managing director of BASF Denmark, becomes managing director responsible for all UK operations of BASF Coatings & Inks.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
90 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	55.76	56.34xd	59.94	+0.25	4.57
Gilts & Fixed Int	6	108.1	108.1xd	114.6	-0.10	8.73
High Inc Equity	6	134.5	137.4	146.2	-2.30	4.54
Worldwide Bond	6	198.9	198.9xd	210.7	+1.20	5.03
Capital Growth						
American Growth	6	200.6	202.5	215.5	+2.90	0.28
Asian Pacific	6	111.1	113.2	120.5	-0.70	1.08
Assets & Earnings	6	161.2	161.2	172.5	-0.50	2.14
Capital Reserve Acc	0	86.71	86.71	86.73	-0.02	4.61
Capital Reserve Inc	0	76.97	76.97	76.99	-0.02	5.20
Comdty & Energy	6	111.1	114.2xd	121.5	+1.20	1.56
1992 Enterprise	6	60.77	61.93	65.91	-0.31	1.94
Euro Capital Acc	6	97.12	97.94	104.2	+0.60	0.72
Euro Capital Inc	6	93.64	94.37	100.4	+0.50	0.73
General	6	178.8	178.8xd	191.3	-0.10	2.61
International	6	54.78	55.67	59.23	+0.18	0.85
Japan	6	122.5	124.5	132.3	+0.90	0.00
Mastertrust	6	92.15	92.15	98.56	-0.77	1.72
UK Growth Acc	6	201.9	201.9	216.0	-1.30	1.30
UK Growth Dist	6	133.3	133.3	142.6	-2.40	1.96
US Emerging Cos	6	55.37	55.37	59.22	+0.80	0.00
Income & Growth	6	306.0	313.3	333.3	-1.80	3.08
Ethical	6	49.59	50.81	54.06	-0.32	1.85

Abtrust Management Ltd (1000)H
18 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Int & Growth	5¼	33.17	33.37	35.62	....	2.87
European	5¼	75.05	75.22	80.30	....	0.00
European Income	5¼	70.91	70.91xd	75.76	....	2.49
Exempt	1	826.9	826.9	860.0	....	1.82
Extra Income	5¼	44.96	44.96xd	47.99	....	4.57
F East Emerg Ecos	5¼	57.99	58.29	62.43	....	0.38

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

OTHER UK UNIT TRUSTS

INSURANCES

Citicorp British National
Perrymount Road, Haywards Heath 0444 414112

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	258.7	272.3	—	—
International	274.8	310.3	—	—
Property	277.2	291.8	—	—
Equity	360.3	379.3	—	—
New Technology	190.4	200.4	—	—
American	123.0	129.3	—	—
Orient	114.4	120.5	—	—
European	109.2	115.0	—	—
Fixed Interest	175.8	185.0	—	—
Deposit	144.2	151.8	—	—
Managed Series 2	257.6	271.2	—	—
Property Series 2	278.9	293.6	—	—
International Series 2	294.5	310.0	—	—
Equity Series 2	359.1	378.0	—	—
SV Global Gwth Ser 2	139.5	146.8	—	—
Managed Pension Accum	353.6	372.2	—	—
Managed Pension Cap	231.8	244.0	—	—
Property Pens Accum	373.3	393.0	—	—
Property Pens Cap	245.7	258.6	—	—
Equity Pensions Accum	499.3	525.6	—	—
Equity Pensions Cap	328.6	345.9	—	—
New Tech Pens Accum	227.7	239.7	—	—
New Tech Pens Cap	164.5	173.2	—	—
Intl Pens Accum	416.1	438.0	—	—
Intl Pens Cap	273.0	288.3	—	—
Fixed Int Pens Accum	219.0	230.6	—	—
Fixed Int Pens Cap	144.2	151.7	—	—
Anglian Fund	107.1	112.7	—	—
Celebration Fund	91.6	—	—	—

City of Edinburgh Life Assurance

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	+ or –	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	125.0	132.0	–1.0	–
Building Soc. Fd	174.0	184.0	—	–
Balanced	291.0	307.0	–1.0	–
European	190.0	200.0	–2	–
GT Managed	191.0	202.0	—	–
Gartmore Mngd	128.0	135.0	—	–
German	137.0	145.0	–1.0	–
Gilt	181.0	191.0	—	–
Global	50.0	53.0	—	–
High Inc	120.0	127.0	—	–
International Equity	202.0	213.0	–1.0	–
Japan	277.0	292.0	—	–
Managed	64.0	68.0	—	–
Property	294.0	310.0	—	–
R. W. Imperial Gold	155.0	164.0	—	–
UK Equity	362.0	382.0	–1.0	–
Pension Funds				
American	147.0	155.0	—	–
Building Soc. Fd	177.0	187.0	—	–
Balanced	227.0	239.0	—	–
European	194.0	205.0	—	–
German	122.0	129.0	—	–
Gilt	159.0	168.0	—	–
International Equity	147.0	155.0	—	–
Japan	150.0	158.0	—	–
Managed	67.0	71.0	—	–
Property	225.0	237.0	—	–
UK Equity	333.0	351.0	—	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	97.05	102.62	—	–
Pensions Cash Fund	80.21	84.43	—	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	622.3	655.0	–1.7	–
Adventurous Mngd	134.9	142.2	–0.1	–
Secure Mngd	112.1	118.2	–0.7	–
Cash Fd	238.7	251.6	—	–
Property Fund	295.0	313.9	[illegible]	–

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Building Societies				
99⅔	98½	W'wide Anglia 11⅞pc 6.11.89	99⅔	.....	11.86	14.86
100	98⅔	Do. 12⅛pc 4.12.89	99⅞	.....	12.38	14.73
100¼	99⅞	Do. 12⅞pc 2.1.90	99⅞	.....	12.88	14.57
100⅓	98¼	Do. 12⅝pc 29.1.90	99⅔	.....	12.66	14.56
100	98½	Do. 12⅞pc 26.2.90	99⅔	.....	12.80	14.56
100	98⅞	Do. 12⅞pc 19.3.90	99⅔	.....	12.97	14.56
100⅔	99⅛	Do. 13⅛pc 23.4.90	99⅔xd	.....	13.45	14.52
100	99	Do. 13pc 14.5.90	99½	.....	13.13	14.56
100	98⅝	Do. 13⅔pc 4/6/90	99⅝	.....	13.77	14.51
100⅔	99⅔	Do. 14⅛pc 2.7.90	99⅔	.....	14.34	14.45
100⅛	99⅜	Do. 13⅝pc 23.7.90	99⅔	.....	13.72	14.44
107	98½	Do. 3⅞pcIL Ln 2021	105½xd	.....	4.29	4.40
		Public Board and Ind.				
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	f8.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	f7.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	f5.00
80	65	Hung. '24 Ass.	80	.....	2.75	f3.57
139⅔	128⅔	Hydro Quebec 15pc 2011	130⅔	+⅛	15.00	11.20
128⅔	118⅔	Iceland 14½pc Ln 2016	121⅔xd	+⅛	14.50	11.82
97¾	91½	Ireland 9¾pc '91–96	91¾xd	.....	9.75	11.50

AMERICANS

1989 High	Low	Stock	Price	+ or −	Div Gross	Cvr	Y'ld Gr's
12	854p	Data General	944p	+54	–	–	–
38½	28⅛	Dun & Bradstreet $1	33⅞	−⅛	$2.00	–	3.7
43¼	30½	Eaton Corpn. 50c	38¼	−⅛	h$2.00	–	3.3
11⅛	0⅞	Echlin Inc.	9⅛	.....	70c	–	4.7
20⅞	16⅞	FPL Group 1c	19⅛xd	.....	$2.28	–	7.4
23	13¼	Fluor Corp 62½pc	21	−⅛	16c	–	0.5

Continued on next page

Schroders Australia Ltd

Scimitar Bermuda Funds

Segespar Securities (Bermuda) Ltd

Seoul International Trust

The Siam Fund (Cayman) Ltd

Singer & Friedlander Ldn. Agents

Skandifond

Garmore Money Management Ltd—Contd.

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	12.50	9.78	13.52	Qtr
Mth Int Chq £2,000-£4,999	12.50	9.78	13.64	Mth
Mth Int Chq £5,000-£49,999	13.00	10.17	14.20	Mth
Mth Int Chq £50,000+	13.50	10.56	14.77	Mth
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-629 6802				
DMNA [£2,001+]	13.67	10.70	14.98	Mth
HICA [£2,001+]	13.10	10.25	14.33	Mth
Bank of Ireland High Interest Cheque Acc 36 Queen St, EC4R 1BN. 01-625 7000				
2,000-9,999	12.780	10.000	13.842	Qtr
£10,000+	13.099	10.250	14.201	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-601 6746				

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
35¼	27⅝	Ford Motor $1	31½	+⅛	$3.00	–	6.0
37¼	24¼	Gen. Elect. 63c	35	–⅛	$1.64	–	3.0
579p	460p	General Host Corp $1	496p	+5	30c	–	3.8
39¼	18¼	Gillette $1	28¼	+½	96c	–	2.1
987p	601p	Gt American Bank Bk $1	767p	+8	20c	–	1.6
23⅞	16	Greyhound $1½	20¾	–¼	$1.32	–	4.0
14½	847p	Hasbro Inc 50c	13¾	+¼	16c	–	0.7
57½	32¼	Honeywell $1½	52½	+¼	$2.10	–	2.5
22	15¼	Houston Inds.	20¾	+⅛	$2.96	–	9.0
76	63	IBM Corpn $1¼	67½	+½	$4.84	–	4.5
60p	45p	Image Storage/R Sys 1c	55p		–		–
32¼	18¾	Ingersoll-Rand $2	28⅜	+½	$1.20	–	2.6
33¼	22½	Lockheed Crpn. $1	30½	+½	$1.80	–	3.7
22⅝	15	Lone Star Inds $1	19	–⅛	$1.90	–	6.3
27⅞	17½	Louisiana Land 15c	25	+⅛	$1.00	–	2.5
20¾	11½	Lowe's 50c	19	+¼	48c	–	1.6
28	15	Manuf. Hanover $1	26	+2	$3.28	–	7.7
22⅝	13	Merrill Lynch $1	18½		$1.00	–	5.4
2439p	1910p	Molex Inc.	2336p	+13	3.2c	–	–
27	18¼	Morgan (JP) $2½	27	+⅛	$1.66	–	5.8
107⅞	96	Morris (Phillip)	101¾	+½	$4.50	–	2.8
54½	36¼	NYNEX $1	56	+½	$4.36	–	5.5
44p	20p	N'wide Legal Serv.	29p	+1	–	–	–
24⅞	18¼	PHH Corp.	23	+⅛	$1.12	–	3.1

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
19	11	Tullow Oil 10p.....y	17½	+½	–	–	–	–
113	75	UPL Group 10p.....y	75	.....	2.75	1.9	4.9	14.2
150	135	Unit Group.........y	145	.....	5.0	3.3	4.6	8.2
100	66	Video Magic Lels. 1py	93	.....	W2.0	0.7	2.9	74.6
14	5	Vista Ents 5p......y	8	+½	–	–	–	–
40	32	Vizcaya Hldgs 5p...y	32	.....	–	–	–	–
46½	23	Whitegate Leisure 20p.y	41	–½	–	–	–	–
32½	10	Do. Wrrnts.........y	28	.....	–	–	–	–
10¼	5	Wilton Group 1p....y	7	–½	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ● Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ❄ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p.....y	96	.....
Craig & Rose £1....y	830	.....
Finlay Pkg. 5p.....y	83xd	+3
Holt (Jos) 25p.....y	1348	+5

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991....	£97¼	.....
9pc Cap Ln. 1996..	£98¼	.....
Fin. 13% 97/02....	£118	.....

Stock	Price	+ or –
Arnotts...........	420	.....
Carrol (P.J.)......y	150	–4
Hall (R. & H.).....	180	.....
Helton Hldgs.......y	92	+2
For Irish Ropes see IRG		
IRG...............	210xd	–2
United Drug.......	140	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	52
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	98
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	10
Wellcome	42

Property

Stock	p
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Stock	p
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines

Stock	p
Cons Gold	150
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Impact of intervention fades

THE DOLLAR traded in a narrow range yesterday, closing slightly higher against the D-Mark in spite of co-ordinated central bank intervention for the sixth straight trading day.

European central banks were joined by the US Federal Reserve and the Bank of Canada in another round of dollar sales, but this did not appear to be particularly aggressive. Dealers suggested the Fed was probably intervening in lots of $10m to $15m and that dollar sales by the central banks are having less impact as time progresses.

Underlying sentiment in the markets remains favourable as far as the dollar is concerned, and it seems that central banks will be forced to continue their action to prevent the US currency moving up again. The threat of intervention has tended to reduce market volume recently, and this is unlikely to pick up significantly until the West German Bundesbank council meeting on Thursday amid the threat of higher German rates.

There were no major economic factors to influence trading yesterday. A rise to 46.0 per cent from 45.2 per cent in the US National Association of Purchasing Management's monthly index was in line with expectations.

In cautious but uneventful trading the dollar fell to a low of DM1.8700. Central bank intervention did not threaten to push the US currency down towards its next technical support level of DM1.8650. The London close of DM1.8750, against DM1.8715 on Friday, suggests that the earlier strong chart point of DM1.8770 may not have been decisively broken, particularly since the dollar traded above that level at times yesterday.

In terms of other European currencies, the dollar rose to SFr1.6245 from SFr1.6225 and to FFr6.3575 from FFr6.3475, but against the yen it eased to Y139.45 from Y139.60 at the London close. According to the Bank of England the dollar's index rose to 69.6 from 69.5.

Yesterday's round of central bank intervention started in Tokyo, where the Bank of Japan bought a moderate amount of dollars. The currency closed at Y139.30, above Friday's New York close of Y139.00; in common with the rate against the D-Mark, it made no threat on the next support point of around Y138.50.

Sterling had a slightly firmer tone, underpinned by high London interest rates and speculation that UK base rates will rise if the Bundesbank increases its official rates this week. The pound was generally on the sidelines however, with most market attention focused on the dollar.

Sterling gained 30 points to $1.6180 and also improved to DM3.0325 from DM3.0325; to Y225.75 from Y225.50; to SFr2.6275 from SFr2.6200; and to FFr10.2875 from FFr10.2500. Sterling's index, on Bank of England figures, was unchanged at 91.4.

Reporting on Liffe and other financial derivative markets is subsumed from today in our coverage of government bonds which appears on Page 41.

£ IN NEW YORK

Oct.2	Latest	Previous Close
£ Spot	1.6165-1.6175	1.6190-1.6200
1 month	0.68-0.67pm	0.76-0.74pm
3 months	2.03-2.00pm	2.20-2.17pm
12 months	7.38-7.28pm	7.70-7.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.2	Previous
8.30 am	91.4	91.6
9.00 am	91.4	91.6
10.00 am	91.3	91.7
11.00 am	91.2	91.7
Noon	91.3	91.6
1.00 pm	91.4	91.5
2.00 pm	91.4	91.5
3.00 pm	91.5	91.4
4.00 pm	91.4	91.4

CURRENCY RATES

Oct.2	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling ‡	-	1.269876	1.46856
U.S Dollar	7	1.27981	1.10210
Canadian $	12.36	1.50800	1.29739
Austrian Sch.	5	16.8308	14.5279
Belgian Franc	7.75	50.2581	43.3400
Danish Krone	9½	9.32981	8.03926
Deutsche Mark	5.00	2.39107	2.06368
Neth. Guilder	6.00	2.70040	2.33028
French Franc	9½	8.10824	6.99888
Italian Lira	13½	1747.23	1506.57
Japanese Yen	3¼	178.278	153.577
Norway Krone	8	8.82173	7.61661
Spanish Peseta	-	152.213	131.304
Swedish Krona	9½	8.20230	7.07988
Swiss Franc	5.5	2.07073	1.78926
Greek Drach.	20½	209.920	181.196
Irish Punt	-	0.896973	0.774435

‡ Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Sep.29

CURRENCY MOVEMENTS

Oct.2	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.4	-19.9
U.S Dollar	69.6	-8.5
Canadian Dollar	104.4	+1.1
Austrian Schilling	107.2	+10.2
Belgian Franc	101.6	-6.1
Danish Krone	104.0	-1.0
Deutsche Mark	113.9	+21.4
Swiss Franc	107.6	+16.6
Guilder	111.1	+13.9
French Franc	100.1	-15.8
Lira	98.7	-19.2
Yen	140.0	+76.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Sep.29

OTHER CURRENCIES

Oct.2	£	$
Argentina	1051.75 - 1060.50	650.00 - 655.00
Australia	2.0650 - 2.0845	1.2805 - 1.2865
Brazil	6.1135 - 6.1475	3.7780 - 3.7970
Finland	6.9900 - 6.9125	4.2640 - 4.2660
Greece	264.05 - 268.25	163.45 - 166.05
Hong Kong	12.6095 - 12.6330	7.8010 - 7.8030
Iran	116.90*	72.20*
Korea(Sth)	1076.40 - 1093.75	667.40 - 672.60
Kuwait	0.47835 - 0.48030	0.29550 - 0.29640
Luxembourg	63.60 - 63.70	39.30 - 39.40
Malaysia	4.3625 - 4.3535	2.6885 - 2.6905
Mexico	4186.00 - 4204.80	2587.00 - 2597.00
N. Zealand	2.7610 - 2.7570	1.6965 - 1.6995
Saudi Ar.	6.0475 - 6.0730	3.7500 - 3.7510
Singapore	3.1740 - 3.1795	1.9610 - 1.9630
S. Af (Cm)	4.3425 - 4.3535	2.6820 - 2.6850
S. Af (Fn)	6.2355 - 6.3585	3.8535 - 3.9255
Taiwan	41.25 - 41.55	25.50 - 25.60
U.A.E.	5.9415 - 5.9465	3.6720 - 3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3400	+2.08	+1.21	±1.5424
Danish Krone	7.85212	8.03926	+2.38	+1.51	±1.6419
German D-Mark	2.05853	2.06368	+0.25	-0.62	±1.1019
French Franc	6.90403	6.99888	+1.37	+0.50	±1.3719
Dutch Guilder	2.31943	2.33028	+0.47	-0.40	±1.5019
Irish Punt	0.768411	0.774435	+0.78	-0.09	±1.6689
Italian Lira	1483.58	1506.57	+1.55	+1.19	±4.0815
Spanish Peseta	133.804	131.304	-1.87	-1.68	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6125 - 1.6220	1.6175 - 1.6185	0.75-0.73cpm	5.49	2.12-2.08pm	5.19
Canada	1.9040 - 1.9105	1.9055 - 1.9065	0.38-0.30cpm	2.14	1.11-0.98pm	2.19
Netherlands	3.41¼ - 3.43	3.42 - 3.43	2-1⅞cpm	6.79	5⅛-5¼pm	6.20
Belgium	63.50 - 63.75	63.60 - 63.70	32-28cpm	5.66	88-81pm	5.31
Denmark	N/A	11.80¾ - 11.81¾	4⅝-4⅜orepm	4.57	12¾-12¼pm	4.21
Ireland	1.1345 - 1.1415	1.1380 - 1.1390	0.50-0.45ppm	5.01	1.10-1.00pm	3.69
W. Germany	3.02¼ - 3.03½	3.03 - 3.03½	1⅞-1¾pfpm	7.17	4⅞-4½pm	6.18
Portugal	N/A	256.70 - 257.70	22-3cpm	0.58	13-64dis	-0.60
Spain	N/A	192.40 - 192.70	1-13cdis	-0.44	7-17dis	-0.25
Italy	2205½ - 2220	2219 - 2220	5½-4¼lirepm	2.64	13-9pm	1.98
Norway	N/A	11.18½ - 11.19½	3-2⅝pm	2.88	8⅞-8¼pm	3.08
France	10.26¼ - 10.29½	10.28¼ - 10.29¼	4½-4¼cpm	5.03	12-11¼pm	4.59
Sweden	N/A	10.40 - 10.41	2¼-1⅞orepm	2.31	8⅞-8⅜pm	3.32
Japan	225 - 226¼	225¾ - 226¾	1⅞-1¾ypm	9.63	5-4⅞pm	8.75
Austria	21.31 - 21.38	21.31 - 21.34	11⅝-10⅛gropm	6.12	34¼-31⅛pm	6.17
Switzerland	2.62 - 2.63¾	2.62¾ - 2.63¾	1½-1⅜cpm	6.57	4⅛-4pm	6.18
ECU	1.4680 - 1.4780	1.4680 - 1.4690	0.56-0.53cpm	4.45	1.50-1.45pm	4.02

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 63.80-63.90 Six-month forward dollar 4.12-4.07cpm 12 months 7.50-7.40cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6125 - 1.6220	1.6175 - 1.6185	0.75-0.73cpm	5.49	2.12-2.08pm	5.19
Ireland†	1.4180 - 1.4235	1.4210 - 1.4220	0.09-0.05cpm	0.59	0.50-0.40pm	1.27
Canada	1.1745 - 1.1780	1.1770 - 1.1780	0.31-0.34cdis	-3.31	0.87-0.92dis	-3.04
Netherlands	2.1125 - 2.1210	2.1160 - 2.1170	0.26-0.24cpm	1.42	0.58-0.54pm	1.06
Belgium	39.15 - 39.45	39.30 - 39.40	1.25-parcpm	0.19	2.50pm-0.50dis	0.10
Denmark	7.28¾ - 7.32¾	7.29¾ - 7.30¼	0.30-0.65oredis	-0.70	1.70-2.10dis	-.04
W. Germany	1.8700 - 1.8785	1.8745 - 1.8755	0.24-0.22pfpm	1.47	0.56-0.53pm	1.16
Portugal	158.70 - 158.90	158.70 - 158.80	57-67cdis	-4.53	235-265dis	-6.08
Spain	118.60 - 119.20	119.10 - 119.20	47-52cdis	-4.99	145-155dis	-5.04
Italy	1364½ - 1372	1371½ - 1372	3.00-3.60liredis	-2.90	9.90-12.00dis	-3.20
Norway	6.90⅝ - 6.93	6.91¼ - 6.91¾	1.10-1.35oredis	-2.13	3.40-3.70dis	-2.06
France	6.34¾ - 6.37	6.35½ - 6.36	0.23-0.30cdis	-0.50	0.73-0.88dis	-0.51
Sweden	6.41½ - 6.43¾	6.42¾ - 6.43¼	1.33-1.55oredis	-2.69	3.85-4.10dis	-2.48
Japan	139.15 - 139.70	139.40 - 139.50	0.46-0.44ypm	3.88	1.26-1.23pm	3.58
Austria	13.17¼ - 13.21½	13.19 - 13.19½	0.90-0.30gropm	0.56	3.40-1.90pm	0.80
Switzerland	1.6205 - 1.6270	1.6240 - 1.6250	0.21-0.19cpm	1.48	0.52-0.48pm	1.23
ECU†	1.0965 - 1.1015	1.1005 - 1.1015	0.10-0.09cpm	1.04	0.32-0.28pm	1.09

Commercial rates taken towards the end of London trading. † UK, Ireland and the ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.40-39.50.

EURO-CURRENCY INTEREST RATES

Oct.2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13¾-13⅝	13⅞-13¾	14⅝-14½	14⅞-14⅞	14⅝-14½	14½-14⅜
US Dollar	9⅛-8⅞	9⅛-8⅞	9⅛-9	9⅛-9⅛	9⅛-9	9⅛-9
Can. Dollar	11⅝-11⅜	12-11⅝	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	11⅞-11⅝
D. Guilder	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	8-7⅞	8⅛-7⅞	8⅛-7⅞
Sw. Franc	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞	7⅞-7⅞
Deutschmark	7⅛-7⅞	7⅛-7⅞	7⅞-7⅞	8-7⅞	8-7⅞	7⅞-7⅞
Fr. Franc	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞
Italian Lire	12-10	11½-10½	12⅛-11⅛	12⅛-11⅞	12⅛-12⅛	12⅛-12⅛
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9¼-9⅛ per cent; three years 9¼-9⅛ per cent; four years 9¼-9⅛ per cent; five years 9¼-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM)

PHILADELPHIA SE £/$ OPTIONS

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

STANDARD & POORS 500 INDEX

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

7-10 YEAR 9% NOTIONAL GILT

US TREASURY BONDS 8%

6% NOTIONAL GERMAN GOVT. BOND

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

THREE MONTH EURODOLLAR

THREE MONTH EUROMARK

FT-SE 100 INDEX

Estimated volume 4547 (4881)
Previous day's open int. 20932 (18940)

PHILADELPHIA SE £/$ OPTIONS...

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6180	1.6106	1.5970	1.5771	1.5435

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Dec	1.6032	1.6034	1.5996	1.6012
Mar	1.5800	1.5826	1.5790	1.5806
Jun	1.5640	1.5650	1.5630	1.5640

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 44,987

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Frankfurt rates up

INTEREST RATES continued to fall back on the London money market yesterday, following the Bank of England's decision on Friday not to endorse a rise in UK bank base rates.

The market remains nervous of higher base rates in the near future, and dealers believe the timing of any move could depend on the result of Thursday's council meeting of the West German Bundesbank.

UK clearing bank base lending rate 14 per cent from May 24

If the discount and Lombard rates are increased by 1 per centage point the only alternative to an immediate rise in base rates could be an unacceptable weakening of sterling. A rise of only ½ per cent in the Lombard rate might allow the UK authorities a little more breathing space.

Sentiment was not helped yesterday by news of a seasonally adjusted record amount of credit advanced to UK consumers in August. Seasonal purchases of new cars pushed new credit to £3.99bn, from £3.23bn in July. The market was expecting a figure of around £3.5bn.

Three-month sterling interbank eased to 14⅜-14¼ per cent from 14⅝-14½ per cent and overnight money was freely available at around 13½ per cent on the forecast of a money market credit surplus in London.

The Bank of England initially estimated the surplus at £700m, but revised this to £450m at noon, and to £400m in the afternoon. The surplus was absorbed before lunch, when the authorities sold £396m Treasury bills, due October 6, at rates of 13¾-13⅞ per cent. The central bank did sell any more bills in the afternoon, but then found a slight shortage, after the morning operation, and provided late assistance of around £30m.

Bills maturing outside official hands added £136m to liquidity, with Exchequer transactions providing £100m and a fall in the note circulation £525m. These outweighed bank balances below target, draining £65m.

In Frankfurt call money rose sharply to around 7.20 per cent from 6.85 per cent, as speculation increased that the Bundesbank council will vote for a rise of 1 per cent in lending rates this week. Fixed period rates were also firm, amid expectations that the Bundesbank will decide in favour of putting a brake on the German economy and that an increase of only ½ per cent in rates would not prove effective.

In Paris the Bank of France left its money market intervention rate at 8.75 per cent yesterday for two securities repurchase tenders.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.2) 3 months US dollars		6 months US Dollars	
bid 9⅛	offer 9¼	bid 9	offer 9⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

LONDON MONEY RATES

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
Allied Irish Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Trust Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe Guarantee	14½
B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc	14½	Standard Chartered	14
Bank Credit & Comm	14	Robert Fleming & Co	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptrs	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	Hambros Bank	14	Westpac Bank Corp	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14½
Benchmark Bank PLC	14	Hill Samuel	§14	Yorkshire Bank	14
Brit Bk of Mid East	14	C. Hoare & Co	§14		
Brown Shipley	14	Hongkong & Shanghai	14		
Business Mtge Bank	14	Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk	14		
City Merchants Bank	14	Midland Bank	14		
		Mount Banking	14		
		Nat Bk of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sunrise 8.5% Top Tier-£10,000+ instant access 12.5% & Mortgage base rate. § Demand deposit 9%. Mortgage 14.25% - 15%

CONTRACTS & TENDERS

INVITATION TO TENDER
Issued by the Guyana Sugar Corporation Limited
For a project to be financed
By The
Inter-American Development Bank
Loan Contract No. 154/IC- GY
Supply of spares for Sugar Factory Equipment

Tenders are hereby invited from suppliers for the provision of factory spares to be supplied under an Industrial Reactivation Loan Programme the Inter American Development Bank (IDB) is partially funding this rehabilitation programme through LO - 154/IC GY eligibility with respect to origin of goods as said service will be determined pursuant to the rates applicable for the use of the fund.

Tenders are invited from firms which are from regional or N non-regional MEMBER countries of the IADB for the delivery of the following spares which are divided into two groups indicated in the corresponding documents.

Contracts would be let following international competitive bidding by The Guyana Sugar Corporation Limited through the Central Board Committee of Ministry of Finance

FACTORY SPARES
Group A Mills
Group B Diesels

Specifications contained in the tender document permit offers of spares which have similar characteristics and provide equal performance and quality to those stated.

Tender documents can be obtained from the office of C Corradine Inc 75 Wall Street New York NY 10005. United States of America or the Guyana Sugar Corporation Limited to the appropriate address below against a non-refundable payment of 500 Guyana dollars or equivalent in foreign exchange by crossed cheque in favour of the Guyana Sugar Corporation Limited.

The tender shall furnish as part of his tender a tender bond in favour of the Chairman Guyana Sugar Corporation Limited in the value of 5 percentage of the CIF tender price.

Tenders shall be in English submitted in duplicate and delivered in plainsealed envelopes which in no way identify the tender to the chairman of the central tender board committee at the appropriate address below.

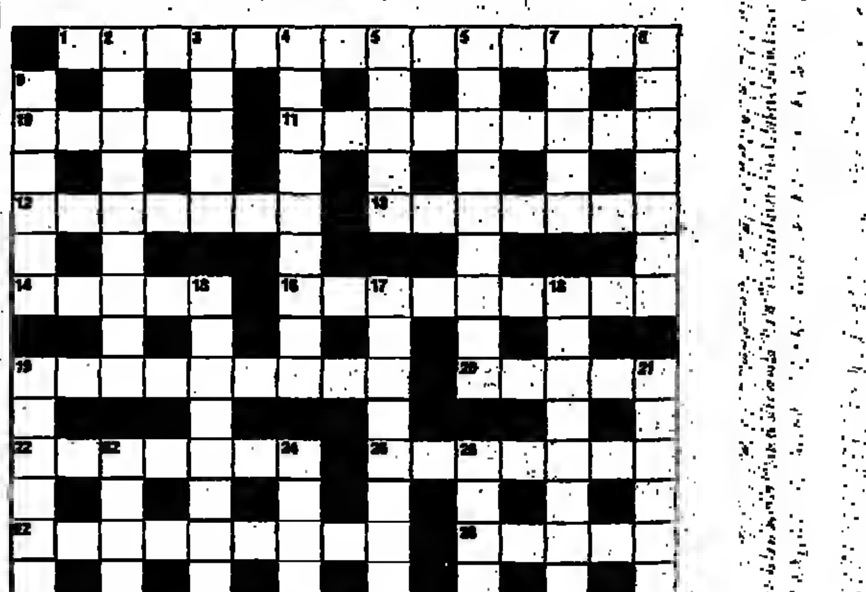
Tenders close at 14.00 hours local time on the 14th of December 1989

The Chairman
Central Tender Board Committee
Rehabilitation Sugar Programme
Industrial Reactivation Loan Programme

The Chairman
Central Tender Board Committee
Rehabilitation of Sugar Factories
Industrial Reactivation Loan Programme Mr E O S Hanoman
Finance Director
Guyana Sugar Corporation Limited
2 Church Street
Georgetown
Guyana

CROSSWORD

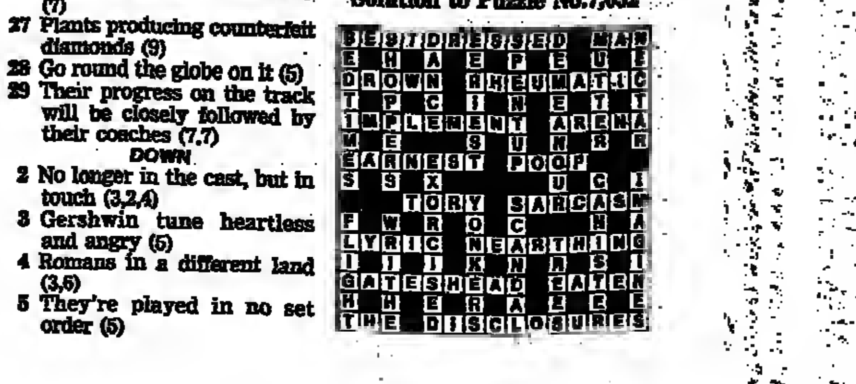
No.7,053 Set by DANTE



ACROSS
1 He could get his work done by Friday (8,6)
10 More in another edition (5)
11 Out to make one uneasy? (3,2,4)
12 Fine stuff for a Welsh banker at tea break (7)
13 It could restore respect for a belief in ghosts (7)
14 The car that creates records (5)
16 At home mother is in front trimming the grass (9)
19 Tell people you've had enough, then keep quiet (3,3,4)
20 We accept Henry as a member of the school (5)
22 One source of a writer's material (7)
25 Time taken by a secretary (7)
27 Plants producing counterfeit diamonds (9)
28 Go round the globe on it (5)
29 Their progress on the track will be closely followed by their coaches (7,7)

DOWN
2 No longer in the cast, but in touch (3,2,4)
3 Gershwin tune heartless and angry (5)
4 Romans in a different land (3,6)
5 They're played in no set order (6)
6 Baseline for London riders (6,3)
7 Brief report round mid-March (5)
8 Component that defies analysis (7)
9 Arouse revolutionary tribes (6)
15 Football tie with goals (5,4)
17 Forenames out of place in secret order (9)
18 Plastic plate, a bad design (9)
19 Is cross, being cut (7)
21 German sub (6)
23 Shade covering Tommy (5)
24 Finish work and take a girl out – that's fortunate! (5)
26 I complain when she turns up (5)

Solution to Puzzle No.7,052



WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices October 2

Quotations in cents unless marked $.

f—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Sep 28	Sep 27	Sep 26	Sep 25	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2694.91	2673.06	2663.94	2659.19	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	92.45	92.42	92.62	92.63	94.15 (2/8)	87.35 (23/3)		
Transport	1438.12	1427.63	1424.96	1428.17	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.55	215.17	215.48	215.67	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2709.16 (2685.03) Low 2657.86 (2636.78)

STANDARD AND POOR'S

	Sep 28	Sep 27	Sep 26	Sep 25	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	348.60	345.10	344.33	344.23	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	397.81	393.88	393.01	392.89	405.27 (1/9)	318.66 (3/11)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.85	33.34	33.14	33.07	33.59 (7/8)	24.38 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	193.55	191.82	191.47	191.28	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	385.75	383.04	382.19	381.40	38.75 (28/9)	305.24 (3/1)	384.54 (12/9/89)	29.31 (9/12/72)
NASDAQ Composite	471.14	467.77	467.84	466.71	471.86 (12/9)	378.56 (3/1)	471.86 (12/9/89)	54.87 (31/10/72)

	Sep 22	Sep 15	Sep 8	year ago (approx.)
Dow Industrial Div. Yield	3.75	3.76	3.70	3.70

	Sep 27	Sep 20	Sep 13	year ago (approx.)
S & P Industrial div. yield	2.90	2.87	2.89	3.19
S & P Indl. P/E ratio	14.42	14.49	14.46	13.03

NEW YORK ACTIVE STOCKS

Thursday:	Stocks traded	Closing price	Change on day
IBM	3,925,700	109	− 2½
Reebok	2,495,900	18¾	+ 1⅞
Amer Corp	2,051,700	83⅛	+ 4⅛
LA Gear	1,962,000	43⅞	− 1⅛
Am T & T	1,927,800	43⅞	+ 1¼
Snecorp	1,840,100	36½	− ⅛
Gulf States Utl	1,837,600	13¼	+ ½
Bristol Myers	1,815,000	52⅞	+ 1
Nova Corp	1,672,100	7⅛	− ⅜
Colombia	1,462,800	26½	—

TRADING ACTIVITY

† Volume (Millions)	Sep 28	Sep 27	Sep 26
New York	161.025	159.268	159.131
Amex	14.553	15.051	13.878
NASDAQ	133.132	123.179	123.381
Issues Traded	1957	1951	1907
Rises	918	622	732
Falls	536	811	629
Unchanged	503	518	546
New Highs	67	51	47
New Lows	13	24	31

CANADA TORONTO

	Sep 28	Sep 27	Sep 26	Sep 25	1989 HIGH	1989 LOW
Metals & Minerals	3711.3	3649.5	3647.7	3620.9	3919.2 (1/9)	3207.5 (3/1)
Composite	3941.1	3918.1	3921.0	3901.3	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2002.12	1988.27	1988.27	1978.31	2053.80 (1/9)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 2	Sep. 29	Sep. 28	Sep. 27	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1743.4	1735.7	1720.2	1721.8	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	845.8	841.8	831.7	833.9	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	478.42	473.09	474.60	472.07	478.42 (2/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6650.40	6738.08	6762.92	6791.37	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	328.13	329.54	329.36	326.71	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	695.4	697.0	682.7	674.8	815.8 (18/4)	674.8 (27/9)
FRANCE						
CAC General (31/12/82)	546.8	557.3	554.5	552.2	557.3 (29/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	123.7	125.5	126.4	125.5	126.6 (25/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	664.72	662.24	667.32	665.93	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	1986.0	1976.5	1993.6	1989.8	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1577.80	1574.37	1585.75	1590.62	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2746.70	2758.25	2755.32	2712.57	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1750.01	1759.12	1766.29	1763.35	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	701.28	707.67	709.12	704.82	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35622.97	35636.76	35689.98	35370.57	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2703.58	2702.22	2696.18	2681.66	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	263.3	265.2	265.8	265.4	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	202.5	203.9	204.4	204.1	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	685.97	689.13	695.50	693.94	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1126.48	1145.90	1147.94	1151.94	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1375.25	1375.18	1371.40	1379.02	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1647.04	1664.0	1673.0	1710.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2732.04	2741.0	2750.0	2762.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	942.41	943.44	931.95	924.75	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	325.80	325.50	326.38	328.22	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4335.3	4341.2	4302.6	4264.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	786.6	795.3	799.0	792.5	829.1 (6/9)	613.1 (3/1)
TAIWAN						
Weighted Price (30/6/66)	9911.15	10364.84	(c)	10489.76	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	681.53	689.51	691.73	694.47	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	549.4	546.8	545.2	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday October 2 1989

	Stocks Traded	Closing Prices	Change on day
Shokusan Jutaku	12.4m	1,550	+40
Toshiba	10.6m	1,210	-20
Daiwa House	10.3m	2,500	+60
Nippon Express	10.1m	1,540	+20
Japan Dev Corp	9.5m	1,420	+110
Nippon Steel	8.7m	1,420	-5
Tokyu	7.9m	2,020	+50
Tokyu Constrctn	7.8m	1,490	+00
Tokyu Land	7.7m	1,510	0
Amada	6.8m	2,130	+60

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. (c) closed. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

2pm prices October 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37⅜	21⅛	AAR	.44	1.2	22	414	36⅛	35¼	35¼	– ⅞
9⅞	6⅞	ACM n	1.01	11.		144	8⅞	9	9	– ⅛
11⅝	10⅛	ACMIn	1.28a	11.		724	11½	11⅛	11½	+ ⅛
10⅛	8	ACM M	e1.01	11.		652	9	8¾	9	+ ¼
11½	10	ACM Sc	1.26	11.		285	11⅛	11	11	– ⅛
9⅞	8⅞	ACMSp	1.01	11.		x411	9⅛	8⅞	9	
18	11½	AL Lab	.12	.7	18	34	16⅝	16⅛	16⅝	
4⅛	3⅛	AMCA	.12e	3.3	24	6	3⅝	3½	3⅝	+ ⅛
6¼	4⅝	AM Intl			11	291	5½	5⅜	5⅜	– ⅛
23⅛	20⅞	AM In pf	2	9.2		17	22	21⅞	21⅞	– ⅛
98	46½	AMR			10	8644	85⅝	38½	39⅞	–1⅝
7⅞	3⅞	ARX				140	4	4	4	+ ⅛
40⅞	37¼	ASA	3a	6.7		154	45⅛	44⅝	44⅞	
39¼	15¼	AVX	.24	.8	14	2873	30½	30	30	– ⅛
66	44⅛	AbtLab	1.40	2.2	10	757	64¼	63¼	64⅛	+ ⅛
13	1½	AcmeC	.40	3.7		21	10⅞	10¾	10⅞	+ ¼
9¼	5⅞	AcmeE	.32	3.8	11	87	8⅛	8	8⅛	– ¼
35½	20¼	Acuson			25	186	30¼	23	35¼	+ ¾
17	14¼	AdaEx	1.82e	11.		40	16⅝	16⅜	16½	
12⅝	8½	Adobe				304	12¼	11⅞	12	+ ⅜
21⅝	19⅝	Adob pf	2.40	11.		2	21¾	21⅝	21⅛	+ ⅛
16½	7⅛	AMD				300	9	8⅝	8⅝	– ⅜
35	28¼	AMD pf	3	9.8		5	30⅞	30⅝	30⅝	– ¼
16¼	8⅞	Advest	.12	1.4	16	27	9	8⅞	8⅞	

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices October 2

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices October 2

[illegible]

FINANCIAL TIMES Tuesday October 3 1989

AMERICA

Dow moves in tight range as volume proves sluggish

Wall Street

THE FINAL quarter of 1989 started with a dull performance by equities, which showed little reaction to the release yesterday of the latest report from US purchasing managers, *writes Janet Bush in New York.*

The Dow Jones Industrial Average moved in a tight range throughout the morning session, recovering from an early loss of around 4 points to be quoted 7.60 points higher-lower at 2,700.42 at 2pm. Volume was sluggish with only 62m shares traded by midsession.

Analysts had been expecting a relatively weak performance yesterday, after buying throughout most of last week which appeared to coincide with the end of the third quarter.

The release of the US purchasing managers report for September appeared to have little impact. The report provided evidence that the economy continues to slow, but that the pace of that deceleration dropped off in September compared with August. The news left the US Treasury bond market mixed; and equities had a number of responses.

For those equity investors fearful of an impending recession, news that the economy did not decline as rapidly last month was encouraging. On *the other hand, the purchasing* managers' report made it less likely, if anything, that the US Federal Reserve will move to ease monetary policy. The Federal Open Market Committee begins its regular meeting today and there is a broad consensus that monetary policy will be left unchanged.

Blue chip issues were mostly lower, failing to recover from the futures-related selling which undermined values on Friday. American Telephone & Telegraph fell $¾ to $43⅝, Merck lost $⅝ to $75¼, F.W. Woolworth dropped $¼ to $66⅛ and Coca Cola lost $¾ to $66⅞. Philip Morris was an isolated gainer, up $¾ to $165⅝.

International Business Machines, rocked last week by the company's disappointing third quarter earnings forecast, continued to be weak and was quoted $¼ lower at midsession yesterday at $108⅞.

Among featured individual issues, Zenith Electronics jumped $2¼ to $16⅝ on news that the company had agreed to sell its data processing assets to Bull Group of France. The company said that it would probably make around $22m on the sale.

Kellogg fell $2¾ to $70⅝ after forecasting a decline in third quarter earnings.

Harcourt Brace Jovanovitch fell $1⅝, *extending its loss of* $4⅛ on Friday on disappointment with the company's decision to sell its theme parks to Anheuser-Busch for $1.1bn.

Spelling Entertainment rose $2¾ to $11 on the American Stock Exchange on news that the company has put itself up for sale.

On the over-the-counter market, Kaman Corp's A shares fell $1⅛ to $11⅞. The company estimated that it would report a third quarter loss of 50 cents to 60 cents a share compared with net income a year ago of 40 cents a share.

Canada

OIL and gas stocks made strong gains in an otherwise mixed midsession in Toronto.

While the oil and gas index hit a 1989 high of 4,359.6, the composite index was up just 11.2 at 3,954.2. Turnover was a moderate 12.1m shares and *declines slightly outpaced* advances by 218 to 213.

Canada Packers jumped C$5¼ to C$19 after saying that it had adopted a shareholders' rights plan on September 29 and had hired RBC Dominion

ASIA PACIFIC

Interest rate fears deflate Nikkei after record high

Tokyo

INTEREST RATE worries and arbitrage selling hit Japan yesterday, deflating share prices after a flurry of buying had *pushed the Nikkei average* to a record high earlier in the day, *writes Michiyo Nakamoto in Tokyo.*

October trading began with active, selective buying which took the Nikkei to a new peak of 35,771.18. Then the combination of arbitrage selling and interest rate jitters brought the index back, and it closed 13.79 lower at 35,622.97 against a day's low of 35,612.60.

As on Friday, however, advances outnumbered declines by 608 to 386, with 139 issues unchanged.

Investors were reluctant to plunge into the market at the beginning of the week and turnover fell to 769m shares from 948m on Friday. The Topix index of all listed shares rose a modest 1.36 to 2,703.58 while, in London, the ISE/Nikkei 50 index closed 4.08 up at 2060.62.

Sentiment gained yesterday from a weekend victory for the ruling Liberal Democratic Party (LDP) in a by-election for a seat in the Upper House of the Diet. This first by-election since Prime Minister Toshiki *Kaifu assumed* office, was taken as a signal that the ruling party has recovered a measure of public confidence. The victory for the LDP was expected to help the yen firm against the dollar, which in turn would ease inflationary pressures in Japan.

Some positive market participants were forecasting that the strength of the currency would lead many companies to revise their earnings forecasts upwards.

The more cautious view, however, which looked to the extraordinary Diet session starting today, was that political instability was a possibility. The LDP and the opposition parties are expected to be locked in a heated battle over the controversial consumption *tax, which could lead to a* parliamentary stalemate.

Meanwhile, speculation that the West German Bundesbank might raise the Lombard rate *in the near future fanned fears* of a concomitant interest rate rise in Japan.

Sector investment continued to thrive on the theme of rising standards of living, particularly the building of new and better homes. Shokusan Jutaku, a builder of luxury wooden houses, topped the volumes list with 12.4m shares and gained Y40 to Y1,550. Daiwa House was third in volume with 10.3m shares and advanced Y60 to Y2,800. Tokyu Construction, known for its wooden housing construction work, rose Y80 to Y1,400 in active trading.

Toshiba, the integrated electric machinery maker, was second most actively traded but suffered from profit-taking and lost Y20 to Y1,210.

Osaka, which has been riding on a wave of interest in issues based in the Kansai area was unaffected by the downturn in Tokyo and posted a gain for the eighth day running, closing up 148.25 at 36,083.83. Volume was lower at 79.4m shares, compared with the 1.09bn traded on Friday.

Restructuring in the retail industry provided the impetus for enthusiastic buying activity. Kyoto Kintetsu Department Store surged Y330 to Y2,350 on rumours that the retailer might be merged with Kintetsu Department Store, an affiliate which is to be listed.

Life Store, the supermarket chain connected to Shuwa, the real estate company which became a big shareholder in three supermarket chains, gained Y500 to Y3,690 on merger rumours.

Roundup

The common feature in Asia Pacific markets yesterday was low turnover.

AUSTRALIA was pushed higher by strength in the bank*ing sector, but trading was* dampened by a partial holiday in Sydney.

The All Ordinaries index rose 7.4 to 1,743.4 amid further speculation about possible banking mergers.

ANZ rose 22 cents to A$5.82, National Australia 10 cents to A$6.94 and Westpac 2 cents to A$5.56. Adsteam, which has stakes in the three leading banks, climbed 36 cents to A$9.80.

Turnover was a mere 53m shares worth A$79m, compared with 179m shares and A$649m on Friday.

TAIWAN fell below the 10,000 level in weaker volume as investors took a pessimistic view of short-term prospects. The weighted index lost 269.69 to 9,911.15.

There was concern about imminent moves by the Securities and Exchange Commission to widen the daily share price fluctuation limit from 5 per cent to 7 per cent.

SINGAPORE ended barely changed, although falling stocks greatly outnumbered rises by 135 to 69.

The Straits Times industrial index was up 0.07 at 1,375.25 in much lower volume of 48m shares compared with Friday's 70m.

UMW Holdings rose 30 cents to S$2.62 as 2.5m shares changed hands in the wake of strong half-year results. DBS Land was the most actively traded issue, rising 2 cents to S$2.65 on 3.8m shares.

MANILA edged lower amid nervousness over the political situation following ex President *Marcos's death.* The composite index fell 19.42 to 1,126.48.

HONG KONG had an uninspired start to the week, losing a little ground after the previous week's strong gains in thin turnover.

The Hang Seng index lost 11.55 to 2,746.70 and volume totalled HK$747m, down from Friday's HK$1.08bn.

Europe tires but Asian region holds firm

MARKETS IN PERSPECTIVE

	% change in local currency †					% change in sterling †
	1 Week	2 Weeks	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+0.43	+3.02	+4.77	+83.63	+78.94	+88.20
Belgium	+0.07	+1.21	+4.02	+16.11	+12.64	+19.62
Denmark	-1.45	-2.48	-2.69	+51.62	+24.25	+31.07
Finland	-4.11	-7.04	-9.04	+5.76	-1.58	+7.29
France	-0.39	+1.17	+1.45	+40.18	+26.55	+35.28
West Germany	-2.61	-0.79	-1.93	+26.69	+20.85	+28.32
Ireland	-0.23	+0.03	-1.20	+22.92	+28.37	+36.09
Italy	-0.93	-2.73	-2.94	+24.06	+16.77	+25.04
Netherlands	-2.72	-2.85	-0.23	+26.36	+22.39	+29.87
Norway	-1.92	-8.52	-2.40	+64.71	+41.31	+50.50
Spain	+0.27	+1.83	+1.36	+16.12	+18.74	+26.85
Sweden	+0.25	-1.27	-2.25	+51.68	+32.06	+41.25
Switzerland	-2.38	-1.03	-3.59	+20.09	+26.10	+30.80
UK	-2.82	-2.62	-4.58	+24.42	+26.61	+26.61
EUROPE	-2.09	-1.45	-2.39	+26.65	+24.33	+28.57
Australia	+1.90	+0.02	-1.59	+12.55	+17.63	+19.98
Hong Kong	+2.01	+5.73	+5.74	+16.58	+4.15	+16.75
Japan	+2.50	+2.59	+2.50	+24.20	+12.03	+12.35
Malaysia	+0.41	+1.42	+5.96	+49.89	+40.84	+58.95
New Zealand	+0.26	-2.69	-6.53	+21.24	+29.73	+36.34
Singapore	-2.88	-2.72	-2.20	+32.21	+31.33	+40.51
Canada	+1.12	+1.11	-1.72	+21.72	+17.93	+33.77
USA	+0.69	+1.26	-1.29	+27.65	+24.45	+40.51
Mexico	-2.88	-0.76	+6.75	+124.60	+115.70	+113.16
South Africa	-0.24	+1.46	+1.46	+48.21	+39.72	+52.01
WORLD INDEX	+0.85	+1.21	+0.04	+25.78	+18.89	+24.84

† Based on 29th September 1989

By William Cochrane

PUNDITS ARE beginning to predict the end of the global bull market and Europe, certainly, is looking tired.

However, strength in the Asia Pacific region, and in North America has brought the World Index into recovery for the second week running.

None of the leading Continental markets did well last week. There was serious concern in West Germany, where renewed interest rate fears led the market to lose the previous week's rise, and more, with a fall of 2.6 per cent on the week leaving a decline of 0.8 per cent on the fortnight.

The size of Frankfurt's succession of rights issues recently, and particularly the long wait for Daimler to announce terms for raising DM1.5bn to DM2bn, have also weighed on sentiment.

Finally, there were profits to take – a situation which also prevailed with other losers like Italy, the Netherlands and Switzerland.

In the first two of these, particularly, rights issues or other cash calls on the respective markets *have preoccupied* equity strategists, who feel that funds pre-empted for corporate expansion can hardly be deployed in shoring up the present level of share prices.

Nordic markets seem to take the booby prize for depth and consistency of gloom.

Finland nose-dived on the deterioration of the domestic economy, exacerbated by embarrassments over the political treatment of that economy.

Norway had climbed over one political hump, the general election of September 11. Mr David Longmuir of James Capel, says it surprised most domestic investors by continuing to climb on good volume.

However, it has since collided with more political worries – to wit, that the non-socialist parties could form a coalition and hold up the national budget at a time when economic uncertainty is a particularly black mark with the international investor.

Sweden had a minimal rise last week, falling 1.3 per cent over two. The country is seeing a lot of money flowing abroad, as investors calculate that with the economy at full blast, the *increasing problem of domestic* wage inflation cannot be countered with better use of manufacturing capacity; unfortunately, the capacity does not exist.

Denmark's loss also comes back to politics, with the Government in a weak position according to the opinion polls, and a "tight ship" economic package being chipped away by the opposition Social Democrats. In the past there would have been a snap election on the issue; but this time, the Government, apparently, cannot afford to take the risk.

The postscript, Finland apart, is that these Scandinavian markets have chalked up the sort of gains over the past year that put West Germany, Italy and Switzerland in the shade.

Asia Pacific markets have seen Tokyo gaining, if somewhat tentatively on occasions, on a rising yen; and Hong Kong recovering some of the ground lost after the June 4 violence in Peking, fuelled by substantial institutional buying from the UK and the US.

EUROPE

Anxiety mounts before Bundesbank meeting

SPECULATION about the Bundesbank's day of decision on Thursday absorbed a number of Continental markets yesterday, *writes Our Markets Staff.*

PARIS ended weaker as mounting concern about a possible rise in West German interest rates on Thursday proved a good excuse to continue Friday's profit-taking.

Some analysts felt the market still had a little further to fall from last week's record highs, after corrections of roughly 1½ per cent yesterday and on Friday. The OMF 50 index was off 8.15 at 520.80 from a revised close on Friday of 528.95, and the CAC 40 shed 29.88 or 1.6 per cent to 1,876.24. The opening CAC General retreated 10.5 from Friday's peak to 546.8.

Peugeot recovered somewhat from early lows after Mr Jacques Calvet, the chairman, called a meeting with unions and management over the four-week-old pay strike which has halted production at two big plants. The share price ended FFr10 lower at FFr894.

Eurotunnel was very weak after the group raised its estimate *for the cost of the Channel* Tunnel from an earlier £5bn to about £7bn. In active trading, Eurotunnel lost FFr4.10 to FFr69.

Trading in Navigation Mixte remained suspended at FFr1,364 as the group announced it was setting up an insurance holding company with Allianz of West Germany. The move was seen as an attempt at defending Navigation Mixte from possible predation.

Market turnover was thought to be fairly low, at about FFr2.5bn, excluding any after-market block deals.

FRANKFURT remained unsettled, amid continued interest rate speculation. Volume slipped from DM3.6bn to DM3.1bn and the DAX index advanced 3.43 points to 1,577.80 after a rise of 2.48 to 664.72 in the FAZ, calculated at mid-session.

Preussag, the metals, energy and trading company which has been tipped as a takeover target, turned the tables and said it is planning a capital increase this winter in connection with its own DM2bn plus takeover of Salzgitter, the state-owned steel company. Preussag shares fell DM18 to DM317.

Steel and construction stocks closed higher, Thyssen rising DM4 to DM 243 in the first category and Holzmann DM21 to DM1,100 in the second.

Banking stocks showed moderate advances, betting that the Bundesbank will raise rates by only half a point. Deutsche Bank rose DM1.50 to DM673.50, Dresdner DM1.50 to DM345.50 and Commerzbank DM1 to DM261.

AMSTERDAM remained in the doldrums, the CBS tendency index shedding 1.6 to 193.6. The market has already discounted a half percentage point rise in leading West German interest rates but a rise of a full point "could destroy sentiment again," said one analyst.

Also depressing prices was a disappointing performance by DSM, the bulk chemical group in which the state floated a second trance of 12m shares last week. The price closed 70 cents lower at Fl 124.50, or 50 cents below the issue price.

NMB Bank lost Fl 2.50 to Fl 268 amid fears that there could be a big overhang of paper when the state sells off half its stake in the merged NMB-Postbank.

Unilever, down Fl 1.20 at Fl 152.40, announced the acquisition of the French cheese specialist, Boursin. Retailer Ahold shed 70 cents to Fl 135.40 as investors awaited a court ruling, due next Tuesday, on the case taken by Asko of West Germany against Ahold for breaking off talks on a co-operation pact. Total volume was estimated at Fl 700m-Fl 800m.

ZURICH finished lower in thin trading, the Crédit Suisse index shedding 6.9 to 636.5 as renewed concern over interest rates depressed sentiment, and kept investors on the sidelines.

Friday's news from the arms manufacturer Oerlikon-Bührle, which forecast a higher loss for 1989 than the SFr35.5m it sustained in 1988, left its bearer shares SFr70 lower at SFr1,225.

MILAN dropped 6.39 to 701.28 on the Comit index in thin trading as the market reacted to the weight of rights issues and other capital issues over*hanging the market.*

Dealers said that forecasts of better 1989 company results had been largely discounted in share prices over the past *three months; and that last Friday's* budget contained few surprises.

Among blue chips, Fiat eased L36 to L11,720, Montedison L5 to L2,315 and Generali L590 to L44,390. Elsewhere among insurance shares, the Ferruzzi company La Fondiaria closed L90 lower at L60,010 on restructuring plans which include the raising of about L550bn in fresh capital.

OSLO weakened after Norway's centre-right parties said they would form a coalition to take power later this month. The market was uncertain of the economic policies the coalition would pursue, and the all-share index fell 3.49 to 536.03. Turnover was a thin NKr169m.

BRUSSELS came under heavy pressure from fears of higher interest rates and the cash index fell 87.68 to 6,650.50. Recently popular issues saw profit-taking, with Cockerill diving BFr17 to BFr244 on high turnover of 1.06m shares. However, Groupe AG, the insurance group, rose BFr250 to BFr12,450 on its forecast of higher profits and dividend this year.

MADRID ended mixed, with electrical utilities continuing firm amid speculation about further stake-building by the banks and a restructuring of the sector. The general index was up just 0.30 at 325.80.

Banco Central was steady at 1,017 per cent of par after announcing over the weekend that it was selling a 24 per cent stake in Financiera y Minera, the cement company, to the French group Ciments Français for Pta17bn.

VIENNA climbed to a record high, with the bourse index up 4.74 at 503.29, but trading was subdued.

SOUTH AFRICA

JOHANNESBURG closed easier in thin and uncertain trading.

The JSE all-gold index weakened to a preliminary close of 1,647 from Friday's 1,664.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 29 1989						THURSDAY SEPTEMBER 28 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.76	+0.9	142.08	132.43	+0.7	4.86	153.46	141.49	131.54	157.14	128.28	138.86
Austria (18)	161.15	+0.3	147.95	156.62	-0.2	1.56	160.64	148.11	157.06	162.96	92.84	97.50
Belgium (63)	144.27	+0.2	132.44	140.17	-0.3	3.95	143.95	132.72	140.58	144.47	125.58	120.76
Canada (123)	149.93	+0.4	137.64	127.95	+0.2	3.16	149.40	137.75	127.71	153.59	124.67	119.29
Denmark (38)	199.36	+0.4	183.02	197.53	-0.1	1.61	198.47	182.99	197.86	215.89	165.35	132.30
Finland (26)	125.35	+1.8	115.08	112.52	+1.2	2.46	123.14	113.53	111.17	159.16	123.12	114.41
France (126)	138.93	-0.5	127.54	138.33	-1.0	2.72	139.67	128.78	139.67	139.67	112.57	98.76
West Germany (97)	100.75	-0.3	92.49	98.03	-0.9	2.03	101.09	93.21	98.89	102.43	79.58	79.48
Hong Kong (48)	116.53	-0.1	106.98	116.72	-0.1	4.84	116.62	107.52	116.82	140.33	86.41	99.86
Ireland (17)	160.11	-0.1	146.98	158.43	-0.6	2.79	160.25	147.75	159.40	165.69	125.00	130.62
Italy (97)	95.04	+0.1	87.24	96.95	-0.1	2.36	94.95	87.55	97.08	98.73	74.97	75.01
Japan (455)	192.09	+0.7	176.34	169.51	+0.1	0.47	190.70	175.83	169.37	200.11	164.22	151.25
Malaysia (36)	203.63	+0.2	186.94	210.85	+0.1	2.47	203.30	187.45	210.62	203.63	143.35	136.05
Mexico (13)	307.96	-0.9	282.71	673.06	-0.8	0.58	310.81	286.57	680.14	321.99	153.92	153.39
Netherland (43)	130.32	+0.3	119.64	125.74	-0.2	4.22	129.99	119.85	126.04	130.89	110.63	103.33
New Zealand (20)	82.27	-0.5	75.53	73.92	-0.8	4.85	82.65	76.21	74.35	88.18	62.64	70.32
Norway (24)	186.66	-0.9	171.36	174.84	-1.3	1.40	188.44	173.74	177.31	188.39	139.92	113.12
Singapore (26)	163.03	+0.1	149.66	147.18	-0.3	2.00	162.82	150.12	147.55	170.62	124.57	118.41
South Africa (60)	158.55	-0.5	145.56	137.26	-0.9	4.12	159.34	146.91	138.49	160.23	115.35	104.86
Spain (43)	168.04	+0.4	154.26	151.24	-0.8	3.41	168.70	155.55	152.15	169.75	143.14	138.96
Sweden (35)	182.33	+1.0	167.39	173.16	+0.5	1.98	180.60	166.52	172.25	188.94	138.45	120.16
Switzerland (64)	91.17	+0.2	83.70	91.71	-0.4	2.06	91.01	83.91	92.06	94.16	67.81	77.80
United Kingdom (306)	152.95	+0.7	140.41	140.41	-0.3	4.23	151.82	139.98	139.98	158.41	132.28	128.71
USA (548)	141.98	+0.2	130.34	141.98	+0.2	3.24	141.71	130.66	141.71	143.84	112.13	111.23
Europe (996)	131.65	+0.2	120.88	124.99	-0.2	3.35	131.34	121.10	125.24	132.95	112.63	105.56
Nordic (121)	168.26	+0.6	154.47	155.92	+0.2	1.82	167.21	154.17	155.66	176.28	137.95	113.88
Pacific Basin (670)	187.78	+0.6	172.38	165.01	+0.1	0.71	186.45	171.91	164.85	194.72	160.44	157.90
Euro-Pacific (1666)	165.43	+0.5	151.86	149.54	+0.0	1.56	164.51	151.69	149.54	166.58	141.56	137.03
North America (671)	142.35	+0.2	130.68	141.10	+0.2	3.23	142.07	130.99	140.83	144.24	112.79	111.64
Europe Ex. UK (690)	117.79	-0.1	108.13	115.39	-0.6	2.67	117.94	108.74	116.05	118.16	96.30	91.23
Pacific Ex. Japan (215)	135.95	+0.4	124.80	122.18	+0.3	4.63	135.37	124.81	121.82	137.55	111.93	117.63
World Ex. US (1862)	164.91	+0.5	151.39	148.93	+0.0	1.64	164.03	151.23	148.94	166.35	141.49	136.11
World Ex. UK (2104)	155.93	+0.4	143.14	147.14	+0.0	1.94	155.31	143.20	147.10	155.93	136.98	126.21
World Ex. So. Af. (2350)	155.63	+0.4	142.87	146.56	+0.1	2.13	154.98	142.87	146.47	155.92	136.67	126.55
World Ex. Japan (1955)	138.43	+0.2	127.07	134.84	+0.0	3.34	138.12	127.35	134.79	138.41	114.51	109.74
The World Index (2410)	155.64	+0.4	142.88	146.50	+0.1	2.15	154.98	142.90	146.42	155.89	136.66	126.42

Latest prices were unavailable for this edition.